

**Hervey Bay & District
Financial Services Limited**

Financial Statements

as at

30 June 2007

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 2007.

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: 50

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.

Rebecca Jayne Pokarier

Treasurer (*Appointed 29 November 2006*)

Age: 24

Finance Manager

Bachelor of Commerce from USQ. Currently studying towards CPA status. She has gained experience within a Chartered Accounting firm and currently is the finance manager for a local business. Member of the local sporting groups.

Treasurer, Member, Audit Committee

Douglas Shayne Kuhn

Director

Age: 49

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.

Trevor Ian McDonald

Director

Age: 57

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.

Robin St John Farrington

Director

Age: 78

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.

Nina Jay Molina

Director

Age: 27

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.

Melissa Rosanne Davis

Director (*Appointed 29 May 2007*)

Age: 46

Business Owner/Marketing Manager

Owner/operator of Marketing/Communications business, Marketing Manager of national franchise group.

Extensive experience within marketing and media industries. Member of several local community groups.

Geoffrey Noel Rose

Director

Age: 67

Farming & Property Investment

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

Member, Audit.

Christine Jean Riordan

Director (*Appointed 24 April 2007*)

Age: 53

Administrative Officer

Local Nominee for Volunteer of the Year Award.

Has been secretary and involved in numerous community organisations and projects.

Secretary

Gretel Winifred Brennan

Director (*Appointed 30 May 2007*)

Age: 60

Bachelor of Business (USQ). JP Qualified.

Extensive Experience in business and administration.

Director of Wide Bay's Women's Health Centre Inc.

Member of various community organisations.

Member, Audit

Dawn Patricia Dwyer

Director (*Resigned 27 June 2007*)

Age: 70

Property Development Consultant

Raymond John Forrest

Director (*Resigned 28 March 2007*)

Age: 77

Retired

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Directors' Report

Directors (continued)

Gregory Ronald Scott
Director (*Resigned 18 April 2007*)
Age: 59
Mediator for the Justice Department

Margaret Elizabeth Butler
Director (*Resigned 24 April 2007*)
Age: 60
Retired

Allan Robert Treuel
Director (*Resigned 28 March 2007*)
Age: 53
Operations Manager

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

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

Company Secretary

The company secretary is Christine Jean Riordan. Christine was appointed to the position of secretary on 24 April 2007. Administrative Officer, was a local nominee for Volunteer of the Year Award, has been secretary and a member of various community organisations and projects.

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

There 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 2007	Year ended 30 June 2006
\$	\$
(302,344)	(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 26 June 2006. She is employed on a contract which is in line with the standards and remuneration levels applicable to Bendigo Bank staff in similar roles. She received a salary in the range of to \$75,000 including superannuation.

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.

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

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

Directors Meetings

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

	Number of Board Meetings eligible to attend	Number attended
Rodney Mark Cullen	11	11
Rebecca Jayne Pokarier (<i>Appointed 29 November 2006</i>)	7	7
Douglas Shayne Kuhn	11	9
Robin St John Farrington	11	10
Trevor Ian McDonald	11	8
Nina Jay Molina	11	5
Geoffrey Noel Rose	11	5
Christine Jean Riordan (<i>Appointed 24 April 2007</i>)	3	2
Melissa Roseanne Davis (<i>Appointed 30 May 2007</i>)	2	2
Gretel Winifred Brennan (<i>Appointed 30 May 2007</i>)	2	2
Dawn Patricia Dwyer (<i>Resigned 27 June 2007</i>)	11	7
Margaret Elizabeth Butler (<i>Resigned 24 April 2007</i>)	9	8
Allan Robert Treuel (<i>Resigned 28 March 2007</i>)	7	7
Gregory Ronald Scott (<i>Resigned 18 April 2007</i>)	8	0
Raymond John Forrest (<i>Resigned 28 March 2007</i>)	8	0

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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 15 August 2007.



Rodney Mark Cullen, Chairman



Rebecca Jayne Pokarier, Treasurer

Auditor's Independence Declaration

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

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



David Hutchings
Auditor
Andrew Frewin & Stewart

Bendigo
15 August 2007

Hervey Bay & District Financial Services Limited
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Income Statement
for the year ended 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Revenues from ordinary activities	3	113,986	82
Salaries and employee benefits expense		(209,073)	(134,792)
Advertising and promotion expenses		(3,989)	(144)
Occupancy and associated costs		(46,934)	(230)
Systems costs		(24,720)	-
Depreciation and amortisation expense	4	(16,727)	(6,284)
General administration expenses		(68,784)	(11,354)
Loss before income tax credit		(256,241)	(152,722)
Income tax expense/credit	5	(46,103)	46,103
Loss for the period		(302,344)	(106,619)
Loss attributable to members of the entity		(302,344)	(106,619)
Earnings per share (cents per share)		c	c
- basic for profit for the year	18	(41.6)	(15.32)
- diluted for profit for the year	18	(41.6)	(15.32)

The accompanying notes form part of these financial statements

Hervy Bay & District Financial Services Limited
ABN 46 116 567 072
Balance Sheet
as at 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Current Assets			
Cash assets	6	234,666	361,416
Trade and other receivables	7	7,911	32,066
Total Current Assets		<u>242,577</u>	<u>393,482</u>
Non-Current Assets			
Property, plant and equipment	8	160,098	150,684
Intangibles	9	7,667	9,667
Deferred tax assets	10	-	46,103
Total Non-Current Assets		<u>167,765</u>	<u>206,454</u>
Total Assets		<u>410,342</u>	<u>599,936</u>
Current Liabilities			
Trade and other payables	11	18,480	29,442
Provisions	12	11,093	1,470
Total Current Liabilities		<u>29,573</u>	<u>30,912</u>
Total Liabilities		<u>29,573</u>	<u>30,912</u>
Net Assets		<u>380,769</u>	<u>569,024</u>
Equity			
Contributed equity	13	789,732	675,643
Accumulated losses	14	(408,963)	(106,619)
Total Equity		<u>380,769</u>	<u>569,024</u>

The accompanying notes form part of these financial statements

Hervey Bay & District Financial Services Limited
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Statement of changes in equity
for the year ended 30 June 2007

	2007	2006
	\$	\$
Total equity at the beginning of the financial year	569,024	-
Net income/expense recognised directly in equity	-	-
Net loss for the year	(302,344)	(106,619)
Total recognised income & expenses for the year	<u>266,680</u>	<u>(106,619)</u>
Shares issued during period	114,089	695,911
Costs of issuing shares	-	(20,268)
Dividends provided for or paid	-	-
Total equity at the end of the financial year	<u>380,769</u>	<u>569,024</u>

The accompanying notes form part of these financial statements

Hervey Bay & District Financial Services Limited
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Statement of Cashflows
for the year ended 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Cash flows from operating activities			
Cash received from customers		88,478	13
Cash paid to suppliers and employees		(307,441)	(159,449)
Interest received		14,995	-
Interest paid		(21)	-
Net outflows from operating activities	15	<u>(203,989)</u>	<u>(159,436)</u>
 Cash Flows From Investing Activities			
Payment for intangible assets		-	(10,000)
Payments for property plant and equipment		(24,140)	(157,501)
Net cash outflows investing activities		<u>(24,140)</u>	<u>(167,501)</u>
 Cash Flows From Financing Activities			
Proceeds of share issues		114,089	695,911
Payment of share issue costs		(12,710)	(7,558)
Net cash inflows financing activities		<u>101,379</u>	<u>688,353</u>
 Net increase in cash held		(126,750)	361,416
Cash at the beginning of the financial year		361,416	-
Cash at the end of the financial year	6(a)	<u><u>234,666</u></u>	<u><u>361,416</u></u>

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.

Income tax

Current tax

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

1. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

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

Cash

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

1. Summary of significant accounting policies (continued)

Comparative figures

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

Property, plant and equipment

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

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

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

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

Critical Accounting Estimates and Judgements

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

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

Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Borrowings

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

1. Summary of significant accounting policies (continued)

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.

Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per Share

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

2. Financial Risk Management

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

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

(i) Market Risk

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

(ii) Price Risk

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

(iii) Credit Risk

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

(iv) Liquidity Risk

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

(v) Cash flow and fair value interest rate risk

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

Notes to the Financial Statements
for the year ended 30 June 2007

	2007 \$	2006 \$
3. Revenue from ordinary activities		
Operating activities:		
- services commissions	94,092	82
- other revenue	1,500	-
Total revenue from operating activities	<u>95,592</u>	<u>82</u>
Non-operating activities:		
- interest received	18,394	-
Total revenue from non-operating activities	<u>18,394</u>	<u>-</u>
Total revenues from ordinary activities	<u>113,986</u>	<u>82</u>

4. Expenses

Depreciation of non-current assets:		
- plant and equipment	12,072	5,527
- leasehold improvements	2,655	424
Amortisation of non-current assets:		
- franchise agreement	2,000	333
	<u>16,727</u>	<u>6,284</u>

5. Income tax expense

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

Operating loss	(256,241)	(152,722)
Prima facie tax on loss from ordinary activities at 30%	(76,872)	(45,817)
Add tax effect of:		
- non-deductible expenses	600	100
- blackhole expenses	(1,216)	(1,216)
- temporary timing differences	3,629	830
Tax losses not brought to account	73,859	-
Reversal of 2006 financial year deferred tax asset	46,103	-
Income tax expense on operating loss	<u>46,103</u>	<u>(46,103)</u>
Income tax losses:		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.		
Future income tax benefit carried forward is:	<u>(399,873)</u>	<u>(153,676)</u>

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**Notes to the Financial Statements
for the year ended 30 June 2007**

	2007	2006
	\$	\$
6. Cash assets		
Cash at bank and on hand	19,511	55,068
Investment account	215,155	306,348
	<u>234,666</u>	<u>361,416</u>

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

6(a). Reconciliation of cash

Cash at bank and on hand	19,511	55,068
Term deposit	215,155	306,348
	<u>234,666</u>	<u>361,416</u>

7. Trade and other receivables

Trade receivables	7,911	28,628
Prepayments	-	3,438
	<u>7,911</u>	<u>32,066</u>

8. Property, plant and equipment

Plant and equipment

At cost	74,140	58,342
Less accumulated depreciation	(14,912)	(5,527)
	<u>59,228</u>	<u>52,815</u>

Leasehold improvements

At cost	106,636	98,293
Less accumulated depreciation	(5,766)	(424)
	<u>100,870</u>	<u>97,869</u>

Total written down amount	<u>160,098</u>	<u>150,684</u>
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	52,815	-
Additions	15,798	58,342
Disposals	-	-
Less: depreciation expense	(9,385)	(5,527)
Carrying amount at end	<u>59,228</u>	<u>52,815</u>

Leasehold improvements

Carrying amount at beginning	97,869	-
Additions	8,343	98,293
Disposals	-	-
Less: depreciation expense	(5,342)	(424)
Carrying amount at end	<u>100,870</u>	<u>97,869</u>

Total written down amount	<u>160,098</u>	<u>150,684</u>
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Hervey Bay & District Financial Services Limited

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**Notes to the Financial Statements
for the year ended 30 June 2007**

9. Intangible assets

	2007	2006
	\$	\$
<i>Franchise Fee</i>		
At cost	10,000	10,000
Less: accumulated amortisation	(2,333)	(333)
	<u>7,667</u>	<u>9,667</u>

10. Deferred Tax

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

11. Trade and other payables

Trade Creditors	15,480	27,042
Other creditors & accruals	3,000	2,400
	<u>18,480</u>	<u>29,442</u>

12. Provisions

Employee provisions	<u>11,093</u>	<u>1,470</u>
Number of employees at year end	<u>5</u>	<u>5</u>

13. Contributed equity

810,000 Ordinary shares fully paid of \$1 each (2006: 695,911)	810,000	695,911
Less: equity raising expenses	(20,268)	(20,268)
	<u>789,732</u>	<u>675,643</u>

14. Accumulated losses

Balance at the beginning of the financial year	(106,619)	-
Net loss from ordinary activities after income tax	(302,344)	(106,619)
Dividends Paid	-	-
Balance at the end of the financial year	<u>(408,963)</u>	<u>(106,619)</u>

**Notes to the Financial Statements
for the year ended 30 June 2007**

15. Statement of cashflows

	2007	2006
	\$	\$
<i>Reconciliation of loss from ordinary activities after tax to net cash used in operating activities</i>		
Loss from ordinary activities after income tax	(302,344)	(106,619)
Non cash items:		
- depreciation	14,727	5,951
- amortisation	2,000	333
Changes in assets and liabilities:		
- increase in receivables	24,155	(31,200)
- increase in other assets	46,103	(46,103)
- increase in payables	1,747	16,732
- increase in provisions	9,623	1,470
Net cashflows used in operating activities	<u>(203,989)</u>	<u>(159,436)</u>

16. Auditors' remuneration

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

- audit & review services	4,000	2,400
- non audit services	1,990	3,648
	<u>5,990</u>	<u>6,048</u>

17. Director and Related party disclosures

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

Rodney Mark Cullen

Rebecca Jayne Pokarier (*Appointed 29 November 2006*)

Douglas Shayne Kuhn

Allan Robert Treuel (*Resigned 28 March 2007*)

Robin St John Farrington

Trevor Ian McDonald

Dawn Patricia Dwyer (*Resigned 27 June 2007*)

Nina Jay Molina

Gregory Ronald Scott (*Resigned 18 April 2007*)

Raymond John Forrest (*Resigned 28 March 2007*)

Geoffrey Noel Rose

Margaret Elizabeth Butler (*Resigned 24 April 2007*)

Greta Winifred Brennan (*Appointed 30 May 2007*)

Christine Jean Riordan (*Appointed 24 April 2007*)

Melissa Roseanne Davis (*Appointed 30 May 2007*)

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.

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Notes to the Financial Statements
for the year ended 30 June 2007

17. Director and Related party disclosures (continued)

Directors shareholdings	<u>2007</u>	<u>2006</u>
Rodney Mark Cullen	10,001	10,001
Rebecca Jayne Pokarier (<i>Appointed 29 November 2006</i>)	-	-
Douglas Shayne Kuhn	15,001	15,001
Allan Robert Treuel (<i>Resigned 28 March 2007</i>)	501	501
Robin St John Farrington	501	501
Trevor Ian McDonald	1	1
Dawn Patricia Dwyer (<i>Resigned 27 June 2007</i>)	501	501
Nina Jay Molina	1	1
Gregory Ronald Scott (<i>Resigned 18 April 2007</i>)	1	1
Raymond John Forrest (<i>Resigned 28 March 2007</i>)	1	1
Geoffrey Noel Rose	1,001	1,001
Margaret Elizabeth Butler (<i>Resigned 24 April 2007</i>)	2,001	2,001
Greta Winifred Brennan (<i>Appointed 30 May 2007</i>)	-	-
Christine Jean Riordan (<i>Appointed 24 April 2007</i>)	-	-
Melissa Roseanne Davis (<i>Appointed 30 May 2007</i>)	-	-

There was no movement in directors shareholdings during the year. Each share held is valued at \$1.

18. Earnings per Share	<u>2007</u>	<u>2006</u>
	<u>£</u>	<u>£</u>
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	(302,344)	(106,619)
(b) Reconciliations of earnings used in calculating earnings per share	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
<i>Basic earnings per share</i>		
Profit attributable to the ordinary share holders of the company used in calculating basic earnings per share	(41.6)	(15.32)
(c) Weighted average number of shares used as the denominator	<u>2007</u>	<u>2006</u>
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	726,856	695,911

19. Events occurring after the balance sheet date

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

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Notes to the Financial Statements
for the year ended 30 June 2007

20. Contingent liabilities

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

21. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Hervey Bay and surrounding districts of Queensland.

22. 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

23. Financial Instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	18,771	55,068	-	-	-	-	-	-	200	-	(0.05)	(0.05)
Trust account	-	-	541	306,348	-	-	-	-	-	-	2.75	2.75
Investment account	215,155	-	-	-	-	-	-	-	-	-	6.35	N/A
Receivables	-	-	-	-	-	-	-	-	-	32,066	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	-	29,442	N/A	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:

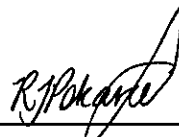
- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the *Corporations Regulations 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act*.

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



Rodney Mark Cullen, Chairman



Rebecca Jayne Pokarier, Treasurer

Signed on the 15th of August 2007.

INDEPENDENT AUDITOR'S REPORT

To the members of Hervey Bay & District Financial Services Limited

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

Directors Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report so that that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independent Auditor's Opinion

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



DAVID HUTCHINGS

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

Dated this 15th day of August 2007