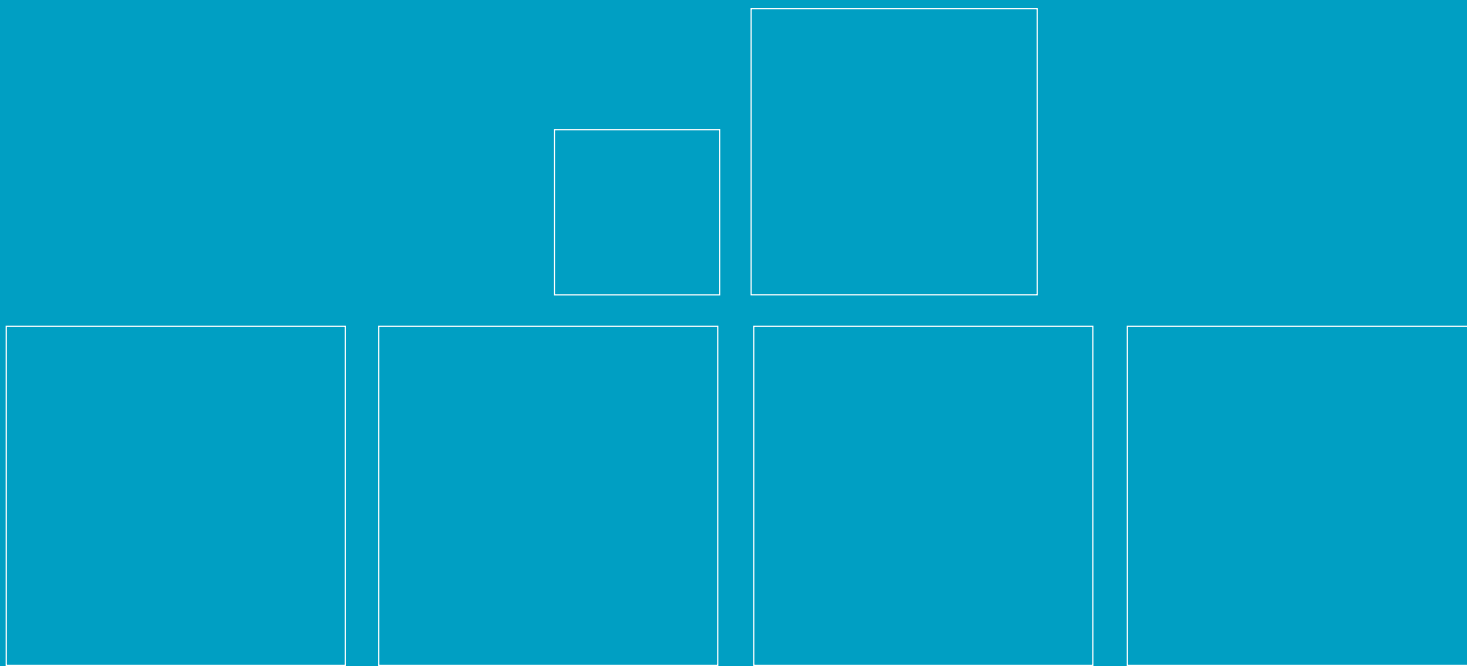


Hervey Bay & District Financial Services Ltd

ABN 46 116 567 072



# 2007 annual report

Hervey Bay  
**Community Bank<sup>®</sup>** Branch  **Bendigo Bank**

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# Chairman's report

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For year ending 30 June 2007

Hervey Bay **Community Bank**<sup>®</sup> Branch has completed its first full year of trading. The business opened its doors on 15 June 2005.

The past year has seen a number of significant milestones reached by the business. We have grown our business to \$20 million in our first year. This has been achieved despite a slower than normal real estate market, with reduced property sales. Hervey Bay is serviced with the full spectrum of banking competition. The opening of our **Community Bank**<sup>®</sup> branch saw significant advertising campaigns launched by our competition. It is pleasing to see that despite this adverse business environment, we have managed to grow the business to the \$20 million threshold.

The Board has welcomed four new Directors to inject fresh ideas into our business following the resignation of five Directors in the last quarter of the year. Some Directors have been forced to resign for health reasons and we wish them a quick and full recovery. Some are taking time to travel the world and we wish them bon voyage. To all Directors, past and present, thank you for your commitment and dedication over the past year.

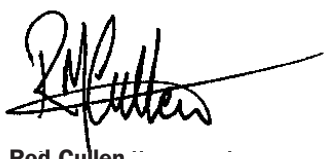
The new Directors bring a broad range of skills to the Board. Their expertise in communication, business, commerce and marketing will be of great assistance to the business over the coming year.

The staff has been responsible for our branch success during the past year. The Board acknowledges their commitment and efforts over the past year. They have excelled at making personal service the point of difference between our bank branch and the competition. We take this opportunity to thank Bendigo Bank for its support to the staff and the Board during the last year.

The year saw the sale of all \$810,000 worth of shares in March 2007. Congratulations to all shareholders in their investment in Hervey Bay **Community Bank**<sup>®</sup> Branch. Your belief and commitment to the future of the Hervey Bay community is inspirational to the staff and your Board. We encourage our shareholders to continually promote and support their **Community Bank**<sup>®</sup>.

The Hervey Bay **Community Bank**<sup>®</sup> commenced a Sports Bursary Award program in 2007. Six young Hervey Bay sporting enthusiasts were awarded \$250 each to help offset costs involved in representing their local community in their chosen sport. These awards have been made possible by the support of the Hervey Bay Boat Club. The Board takes this opportunity to thank the Boat Club for their support.

Bendigo Bank's State Conference earlier this year was the first opportunity for our Manager, Natalia Vadillo and myself to experience the Bendigo family at work (or was that play). It was a great experience and Natalia and I returned to Hervey Bay with renewed enthusiasm and some great advice about going forward and growing the business. We look forward to continued success in the next financial year.



**Rod Cullen**  
**Chairman**

# Manager's report

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For year ending 30 June 2007

Hervey Bay **Community Bank**<sup>®</sup> Branch opened for business on 15 June 2007 and during this time we have seen the branch grow to a book of approximately \$20 million in business.

I would like to take this opportunity to thank our shareholders and customers for their ongoing support.

To continue to grow our business we need the help of all of our shareholders. We ask all shareholders to become ambassadors of their **Community Bank**<sup>®</sup> Company. We need you to put your complete support behind your bank branch and conduct as much of your banking, insurance and financial business with Hervey Bay **Community Bank**<sup>®</sup> Branch today. We also ask you to spread the word and encourage your friends, family, neighbours, colleagues and business partners to learn about the benefits of banking with Hervey Bay **Community Bank**<sup>®</sup> Branch.

Bendigo Bank's **Community Bank**<sup>®</sup> model is unique, in that it is a win-win for everyone in the communities in which these businesses operate. What other banking institution is dedicated to returning a percentage of its profits back to the community?

The success of your branch is dependent on the banking support of the Hervey Bay and districts community and you, our valued shareholders. We offer a full banking service including specialist bankers - Agribusiness Manager Brian Auld, Business Banking Manager Bruce Lester and Financial Planner Tracey Palu. All are available to meet customers at the branch, please contact the branch to make an appointment.

I would like to thank my fantastic and enthusiastic team, Linda Brown, Brooke Hill, Cassandra Veale and Danielle Nicholls for the valuable contribution they continue to make in delivering a high level of service to our customers.

Finally, I would like to thank our Board Members for their continued support and dedication in their role as Directors. I remind you that your Board of Directors are all volunteers.

The sooner we reach the point of profitability, the sooner the Board of Directors can begin the process of distributing profits to shareholders and our community.

We must work together to achieve our desired results for continued success not only for ourselves, but for the wider community.



**Natalia Vadillo**

**Branch Manager**

Hervey Bay **Community Bank**<sup>®</sup> Branch

# Directors' report

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For year ending 30 June 2007

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.

### 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.

### 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.

### 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

### 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.

### 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.

# Directors' report continued

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**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 communitiy

groups.

**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.

**Dawn Patricia Dwyer**

Director (Resigned 27 June 2007)

Age: 70

Property Development Consultant

**Gregory Ronald Scott**

Director (Resigned 18 April 2007)

Age: 59

Mediator for the Justice Department

**Allan Robert Treuel**

Director (Resigned 28 March 2007)

Age: 53

Operations Manager

**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.

**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

**Raymond John Forrest**

Director (Resigned 28 March 2007)

Age: 77

Retired

**Margaret Elizabeth Butler**

Director (Resigned 24 April 2007)

Age: 60

Retired

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.

# Directors' report continued

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## 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	Year ended
30 June 2007	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 \$65,000 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.

## Matters subsequent to the end of the financial year

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.

## Likely Developments

The Company will continue its policy of facilitating banking services to the community.

## Environmental regulations

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,

# Directors' report continued

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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:

	<b>No. Board meetings eligible to attend</b>	<b>No. attended</b>
Rodney Mark Cullen	11	11
Rebecca Jayne Pokarier (Appointed 29 November 2006)	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 (Appointed 24 April 2007)	3	2
Melissa Roseanne Davis (Appointed 30 May 2007)	2	2
Gretel Winifred Brennan (Appointed 30 May 2007)	2	2
Dawn Patricia Dwyer (Resigned 27 June 2007)	11	7
Margaret Elizabeth Butler (Resigned 24 April 2007)	9	8
Allan Robert Treuel (Resigned 28 March 2007)	7	7
Gregory Ronald Scott (Resigned 18 April 2007)	8	0
Raymond John Forrest (Resigned 28 March 2007)	8	0

## **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



## Directors' report continued

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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 9.

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



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www.afsbendigo.com.au  
ABN 51 061 795 337

## 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 15<sup>th</sup> day of August 2007

# Financial statements

## Income statement

For year ending 30 June 2007

	Note	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)
<b>Loss before income tax credit</b>		<b>(256,241)</b>	<b>(152,722)</b>
Income tax expense/credit	5	(46,103)	46,103
<b>Loss for the period</b>		<b>(302,344)</b>	<b>(106,619)</b>
<b>Loss attributable to members of the entity</b>		<b>(302,344)</b>	<b>(106,619)</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- 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.

# Financial statements continued

## Balance sheet

As at 30 June 2007

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

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity

As at 30 June 2007

	Note	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		266,680	(106,619)
Shares issued during period		114,089	695,911
Costs of issuing shares		-	(20,268)
Dividends provided for or paid		-	-
<b>Total equity at the end of the financial year</b>		<b>380,769</b>	<b>569,024</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows

As at 30 June 2007

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

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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## Note 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

# Notes to the financial statements continued

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## Note 1: Statement of significant accounting policies continued

### Income tax (continued)

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).

### 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.



# Notes to the financial statements continued

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## Note 1: Statement of significant accounting policies continued

### **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.

### **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.

# Notes to the financial statements continued

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## Note 1: Statement of significant accounting policies continued

### **Payment terms**

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

### **Trade Receivables and Payables**

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

### **Borrowings**

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

### **Provisions**

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

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

### **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.

## Note 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

# Notes to the financial statements continued

## Note 2: Financial risk management continued

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

### (ii) Price Risk

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

### (iii) Credit Risk

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

### (iv) Liquidity Risk

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

### (v) Cash flow and fair value interest rate risk

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

	2007 \$	2006 \$
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## Note 3: Revenue from ordinary activities

### Operating activities:

- services commissions	94,092	82
- other revenue	1,500	-
<b>Total revenue from operating activities</b>	<b>95,592</b>	<b>82</b>

### Non-operating activities:

- interest received	18,394	-
<b>Total revenue from non-operating activities</b>	<b>18,394</b>	<b>-</b>
<b>Total revenues from ordinary activities</b>	<b>113,986</b>	<b>82</b>

## Notes to the financial statements continued

	2007 \$	2006 \$
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### Note 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
	<b>16,727</b>	<b>6,284</b>

### Note 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:

<b>Operating loss</b>	<b>(256,241)</b>	<b>(152,722)</b>
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	-
<b>Income tax expense on operating loss</b>	<b>46,103</b>	<b>(46,103)</b>

#### 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.

<b>Future income tax benefit carried forward is:</b>	<b>(399,873)</b>	<b>(153,676)</b>
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## Notes to the financial statements continued

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

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
	<b>234,666</b>	<b>361,416</b>

## Note 7: Trade and other receivables

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

## Note 8: Property, plant and equipment

### Plant and equipment

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

### Leasehold improvements

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

<b>Total written down amount</b>	<b>160,098</b>	<b>150,684</b>
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## Notes to the financial statements continued

	2007 \$	2006 \$
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### Note 8: Property, plant and equipment continued

#### Movements in carrying amounts:

##### Plant and equipment

<b>Carrying amount at beginning</b>	<b>52,815</b>	<b>-</b>
Additions	15,798	58,342
Disposals	-	-
Less: depreciation expense	(9,385)	(5,527)
<b>Carrying amount at end</b>	<b>59,228</b>	<b>52,815</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	97,869	-
Additions	8,343	98,293
Disposals	-	-
Less: depreciation expense	(5,342)	(424)
<b>Carrying amount at end</b>	<b>100,870</b>	<b>97,869</b>
<b>Total written down amount</b>	<b>160,098</b>	<b>150,684</b>

### Note 9: Intangible assests

Franchise Fee	10,000	10,000
At cost	(2,333)	(333)
<b>Less: accumulated amortisation</b>	<b>7,667</b>	<b>9,667</b>

### Note 10: Deferred tax

#### Deferred Tax Asset

<b>Tax losses - revenue</b>	<b>-</b>	<b>46,103</b>
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### Note 11: Trade and other payables

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

## Notes to the financial statements continued

	2007 \$	2006 \$
<b>Note 12: Provisions</b>		
Employee provisions	11,093	1,470
<b>Number of employees at year end</b>	<b>5</b>	<b>5</b>

## Note 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)
	<b>789,732</b>	<b>675,643</b>

## Note 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	-	
<b>Balance at the end of the financial year</b>	<b>(408,963)</b>	<b>(106,619)</b>

## Note 15: Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(302,344)	(106,619)
<b>Non cash items:</b>		
- depreciation	14,727	5,951
- amortisation	2,000	333
<b>Changes in assets and liabilities:</b>		
- 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
<b>Net cashflows used in operating activities</b>	<b>(203,989)</b>	<b>(159,436)</b>

## Notes to the financial statements continued

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Note 16: Auditors' remuneration</b>		
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
	<b>5,990</b>	<b>6,048</b>

## Note 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.



# Notes to the financial statements continued

## Note 17: Director and Related party disclosures continued

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

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

## Note 18: Earnings per share

	<b>2007</b>	<b>2006</b>
(a) Basic earnings per share	c	c
Profit attributable to the ordinary equity holders of the Company	(302,344)	(106,619)
(b) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
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	Number	Number
Weighted average number of ordinary shares used as the denominator		
in calculating basic earnings per share	726,856	695,911

## Notes to the financial statements continued

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### Note 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.

### Note 20: Contingent liabilities

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

### Note 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.

### Note 22: Registered office/principal place of business

The registered office and principal place of business is:

**Registered office**

Shop 9/55 Main Street  
Pialba, QLD 4655

**Principal place of business**

Shop 9/55 Main Street  
Pialba, QLD 4655

# Notes to the financial statements continued

## Note 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	Fixed interest rate maturing in											
	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	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

# Director's declaration

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In accordance with a resolution of the Directors of Hervey Bay & District Financial Services Limited, we state that:

In the opinion of the Directors:

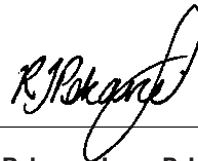
- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (I) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and
  - (II) complying with 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.

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



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**Rodney Mark Cullen, Chairman**



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**Rebecca Jayne Pokarier, Treasurer**

Signed on 15 August 2007.

# BSX report

## Share Information

In accordance with Bendigo Stock Exchange listing rules to Company provides the following information as at 30 June 2007.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of Shares Held	Number of Shareholders
1 to 1,000	84,298
1,001 to 5,000	307,701
5,001 to 10,000	132,001
10,001 to 100,000	286,000
100,001 and over	Nil
Total Shareholders	810,000

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 18 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders.

Shareholder	Number of Shares	Percentage of Capital
Souvlis Properties Pty Ltd	54,000	6.67%
Eluzai Investments Pty Ltd	50,000	6.17%
Hervey Bay Boat Club Inc	50,000	6.17%
Mrs Dorothea Jeanette Bartlett	25,000	3.09%
Mr Kevin John Bartlett	25,000	3.09%
Mr Terry Michael Hauritz & Ms Julie Alvena Hauritz <Super Fund A/C>	20,000	2.47%
Ms Joan Lorraine Wittmann & Mr Kevin William Wittmann	20,000	2.47%
Ms Tracey Cropp & Mr Steve Edwards	15,000	1.85%
Thirty Second Debate Pty Ltd <Super Fund A/C>	15,000	1.85%
Dr Vernon Arthur Harris & Mrs Lucy Katharine Harris	12,000	1.48%
	<b>286,000</b>	<b>33.83%</b>

# BSX report continued

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## **Registered Office and Principal Administrative Office**

The registered office of the Company is located at:

Shop 9, 55 Main Street  
Pialba, Hervey Bay, QLD 4655  
Phone: 07 4124 6201

The principal administrative office of the Company is located at:

Shop 9, 55 Main Street  
Pialba, Hervey Bay, QLD 4655  
Phone: 07 4124 6201

## **Security Register**

The security register (share register) is kept at:

Computershare Investor Services  
Yarra Falls  
452 Johnston Street,  
Abbotsford, VIC 3067

## **Other Information**

Please refer to the Directors Report, within the annual report, for details of the Company Secretary and main corporate governance practices of the entity.

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.



Hervey Bay **Community Bank**<sup>®</sup> Branch  
Shop 9, 55 Main Street, Pialba, QLD 4655  
Phone: (07) 4124 6201 Fax: (07) 4124 5306

Franchisee: Hervey Bay & District Financial Services Ltd  
Shop 9, 55 Main Street, Pialba, QLD 4655  
Phone: (07) 4124 6201 Fax: (07) 4124 5306  
ABN 46 116 567 072

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
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ABN 11 068 049 178. AFSL 237879. KKQAR7015 (09/07)