

2007 annual report

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Chairman's report

For year ended 30 June 2007

It gives me great pleasure to present our second Annual Report to the shareholders of Yarraman Financial Services Limited.

Since my report of 30 June 2006 the Yarraman & District **Community Bank®** Branch of Bendigo Bank has continued to enjoy very strong growth in line with our expectations.

When we established the Company our aim was to secure and retain banking services for our community. We are pleased to say that this objective has now been delivered and our commitment to the community remains strong.

During the period from 1 July 2006 to 30 June 2007 our customer account base has grown from 1519 to 1920 representing over 26 per cent increase in customer support within our community. During the same period our total business has grown from \$21.8 million to \$28.047 million or around 29 per cent business growth in real terms. This is a great achievement given the very competitive nature of the banking industry and with our strong banking business book we can only look forward to continued growth in the years ahead.

Accordingly, I would like to express my sincere appreciation to the Board of Management for setting a sound strategic direction for our business and for ensuring that we continue to operate within a sound corporate governance framework. I am very mindful that our Directors not only act in a voluntary capacity but continue to give of their time and expertise with both willingness and enthusiasm. I am very pleased to be a part of this team.

As your Directors, we are extremely mindful of our entrusted responsibilities in planning the growth of our business in a manner which will protect the investments of our shareholders at all times. This is imperative as we move closer to the time when we can expect to commence the payment of dividends to our shareholders.

During the year we have been able to install our first ATM machine at the branch in Yarraman. In addition we have completed modifications to our building to enable staff to process the ever increasing volume of business development.

Our strong corporate result reflects the hard work undertaken by our Branch Manager, Anne Woodrow. Her strong banking business skills and her dedication and involvement in our local community are highly regarded within the Bendigo Bank **Community Bank®** network. On behalf of my fellow Directors I would like to express our appreciation to Anne and her great team; Deanne, June, Lin and Lorraine.

And finally there are our customers. They have made a vital contribution in putting their faith in Yarraman & District **Community Bank®** Branch to deliver what it set out to achieve. Accordingly, I take this opportunity to urge any shareholders who have not yet availed themselves of our services to consider transferring their business to the Yarraman & District **Community Bank®** Branch.

We look forward to an even better year in 2007/08 with increased business growth and profits along with announcements of further initiatives to support our community.



Wayne Emms
Chairman

Manager's report

For year ended 30 June 2007

I am pleased to report to the Board and shareholders on another exciting and successful years trading at Yarraman & District **Community Bank®** Branch.

Our **Community Bank®** branch is achieving everything that it set out to do – not only returning a traditional bank branch to Yarraman and surrounding districts but making financial contributions back into these communities.

At 30 June 2007, business at the Yarraman & District **Community Bank®** Branch had grown to:

- 1,920 active accounts - an increase from 1,519 last year. (26.5 per cent increase)
- \$16.229 million in deposit funds - remaining comparable to 2006 figure of \$16.234 million.
- \$11.818 million of loans - an increase from \$5.565 million last year. (112.33 per cent increase)

Once again, these fantastic results further prove that the **Community Bank®** model is not only sustainable, but continues to be relevant and trusted by our customers.

Whilst this Annual Report concentrates on the 2006/07 financial year, it is exciting to watch our growth continuing since that time. As the branch quietly celebrated its second birthday on the 29 August 2007, banking business hovered just under the \$30 million mark - a significant achievement for the community owned Company.

Looking at our projections heading into our third year in business, we are quite clearly in for another exciting year as we are now in the position of delivering monthly profits.

This is a fantastic financial position to be in because it enables us to achieve one of our other goals; to support community groups and organisations.

More often than not you will see local events and organisations that have been provided with some form of support from your local **Community Bank®** branch.

Although these initial sponsorships and grants may be relatively small it is nevertheless a good start. The funding we have already been able to provide to 16 local sporting, aged care and other community organisations provides strong evidence of our commitment to support projects and initiatives which improve the economic, social and environmental well-being of our community.

All shareholders can feel proud that the profits we are generating are promoting and supporting such worthwhile causes. To those shareholders who have now transferred their business to our **Community Bank®** Branch, thank you! I invite those shareholders who are not currently making use of our products and services to come in and experience the high level of quality service and competitive products that we offer.

These results could not have been achieved without the hard work and effort of all of my staff. I wish to extend my huge and sincere thanks to my team for their dedication and continued efforts this year.

And, of course there are our customers. They have made a vital contribution in putting their faith in Yarraman & District **Community Bank®** Branch, and, in return, are enjoying the exceptional customer service that Yarraman & District **Community Bank®** Branch has become renowned for.

Finally, I would also like to acknowledge the efforts of the Board. The efforts of these volunteer Directors ensured another hugely successful year, and I look forward to their continued support in the coming year.



Anne Woodrow
Branch Manager

A message from Bendigo Bank

As we approach the 10th anniversary of the **Community Bank®** network it is timely to reflect on what has been achieved. The opening of the first **Community Bank®** branches in Victoria's Wimmera in 1998 changed the Australian banking landscape – how significant this change has been is only now starting to become obvious.

Today, the **Community Bank®** brand is represented in every State and Territory of Australia, with the final frontier, the Northern Territory, falling with the opening of Coolalinga **Community Bank®** Branch in September 2006. Nine months later we were celebrating the opening of our 200th **Community Bank®** branch in the Victorian seaside community of Dromana.

When you take the time to list them, the official statistics are impressive:

- \$10 billion in combined banking business
- \$10 million in grants to community groups and projects
- \$7 million in dividends paid to shareholders
- 1000 **Community Bank®** branch staff

But perhaps what has been most significant during 2007 have been merger talks. Bendigo rejected a merger proposal from Bank of Queensland in April. Less than four months later, Bendigo Bank's Board unanimously supported a merger proposal with Adelaide Bank. The merger will be voted on by Adelaide Bank shareholders in late-2007.

Under the merged group, our unique **Community Bank®** model will continue to grow and prosper, and new Company-owned and **Community Bank®** branches will continue to open.

The Bendigo Bank brand will be retained, customers' accounts will not change and the same friendly faces will be at your local branch to provide for your banking needs. As a **Community Bank®** shareholder, you will notice no changes – you remain a shareholder of your local community Company.

Nationally, the merger will increase Bendigo Bank's network, delivering our customers access to 24 branches in South Australia and 90 ATMs. Over time, new products and services will follow.

Bendigo Bank participates in the development of community banking with an enormous sense of pride. We are indeed fortunate to be your partner and look forward to celebrating 10 years of community banking in 2008.

Rob Hunt
Managing Director

Directors' report

For year ended 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:

David Wayne Emms

Chairman

Age: 62

Manufacturer

Building construction/product design

Chairman, Marketing & Sponsorship Committee

Interests in shares: 1,001

Ross Christopher Begent

Secretary

Age: 54

Economic Development Officer

Business Management & Counselling/Business

Programs/Economic Development Company

Secretary, Chairman: Corporate Governance

Interests in shares: 2,001

John Henry Harwood

Treasurer

Age: 70

Retiree

Corporate Administration

Chairman: Audit Committee

Interests in shares: 1,500

Jennifer Eileen Hunter

Director (Resigned 2 July 2007)

Age: 47

Primary Producer/Business Tutor

Bookkeeping & Administration

Chairperson: Budget

Interests in shares: 1,000

Gunter Nehring

Director (Resigned 21 March 2007)

Age: 51

Design Engineer

Small Business Proprietor/Building Design

Vice Chairman

Interests in shares: 2,001

Cr Noel Leslie Strohfeld

Director

Age: 66

Grazier & Agricultural Supplier

Mayor, Council/Business Proprietor/Importer

Chairman: Projects

Interests in shares: 501

Cr Terrence Edward Dhann

Director

Age: 62

Councillor

Business Management/Police Force

Chairman: Business Development & HR

Interests in shares: 501

Leslie Walter Schloss

Director (Resigned 6 February 2007)

Age: 56

Primary Producer

Farming/Community Organisations

Chairman: Property

Interests in shares: 2,001

Keith Roy Carroll

Director

Age: 73

Retiree

Banking & Finance

Past Treasurer/Assists Chairman

Interests in shares: 1,501

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

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

Directors' report continued

Company Secretary

Ross Begent has been the Company Secretary of Yarraman Financial Services Limited since its establishment. His qualifications and experience include being the voluntary Secretary of a major employment organisation, Director of a State Government small business agency and adviser on business policy and support programmes. He is currently the Economic Development Officer for Rosalie Shire Council.

Principal activities

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	Year ended
30 June 2007	30 June 2006
\$ (20,816)	\$ (130,526)

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.

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

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.

Directors' report continued

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
David Wayne Emms	11	9
Ross Christopher Begent	11	10
John Henry Harwood	11	8
Jennifer Eileen Hunter	11	9
Cr Noel Leslie Strohfeld	11	7
Gunter Nehring	8	8
Leslie Walter Schloss	6	1
Cr Terrence Edward Dhann	11	9
Keith Roy Carroll	11	10

Directors' report continued

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:

- a) 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;
- b) 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 Yarraman, Queensland on 15 August 2007.



David Wayne Emms
Chairman



Ross Christopher Begent
Director

Auditor's independence declaration



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Auditor's Independence Declaration

As lead auditor for the audit of the financial statements of Yarraman Financial Services Limited for 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

Dated this 4th day of September 2007

Financial statements

Income statement

For year ended 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	3	301,120	169,355
Salaries and employee benefits expense		(177,359)	(202,894)
Advertising and promotion expenses		(9,308)	(791)
Occupancy and associated costs		(30,624)	(31,289)
Systems costs		(26,064)	(13,896)
Depreciation and amortisation expense	4	(14,630)	(14,353)
General administration expenses		(68,818)	(81,897)
Loss before income tax credit		(25,683)	(175,765)
Income tax credit	5	4,867	45,239
Loss for the period		(20,816)	(130,526)
Loss attributable to members of the entity		(20,816)	(130,526)
Earnings per share (cents per share)		c	c
- basic for profit for the year	18	(4.89)	(30.71)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

For year ended 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash assets	6	64,951	93,146
Trade and other receivables	7	27,810	19,696
Total current assets		92,761	112,842
Non-current assets			
Property, plant and equipment	8	41,396	28,598
Intangibles	9	106,274	118,274
Deferred tax assets	10	50,106	45,239
Total non-current assets		197,776	192,111
Total assets		290,537	304,953
Current liabilities			
Trade and other payables	11	23,665	20,046
Provisions	12	16,922	14,141
Total current liabilities		40,587	34,187
Total liabilities		40,587	34,187
Net assets		249,950	270,766
Equity			
Contributed equity	13	401,292	401,292
Accumulated losses	14	(151,342)	(130,526)
Total Equity		249,950	270,766

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flow

For year ended 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		318,214	159,637
Payments to suppliers and employees		(334,105)	(310,499)
Interest received		3,125	3,941
Net outflows from operating activities	15	(12,766)	(146,921)
Cash flows from investing activities			
Payment for intangible assets		-	(60,000)
Payment for purchase of business		-	(70,274)
Payments for property plant and equipment		(15,429)	(30,951)
Net cash outflows investing activities		(15,429)	(161,225)
Cash flows from financing activities			
Proceeds of share issues		-	425,000
Payment of share issue costs		-	(23,708)
Net cash inflows financing activities		-	401,292
Net increase in cash held		(28,195)	93,146
Cash at the beginning of the financial year		93,146	-
Cash at the end of the financial year	6(a)	64,951	93,146

The accompanying notes form part of these financial statements.

Financial statements continued

Equity statement

For year ended 30 June 2007

	Note	2007 \$	2006 \$
Total equity at the beginning of the financial year		270,766	-
Net income/expense recognised directly in equity		-	-
Net loss for the year		(20,816)	(130,526)
Total recognised income & expenses for the year		249,950	(130,526)
Shares issued during period		-	425,000
Costs of issuing shares		-	(23,708)
Dividends provided for or paid		-	-
Total equity at the end of the financial year		249,950	270,766

The accompanying notes form part of these financial statements.

Notes to the financial statements

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 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).

Notes to the financial statements continued

Note 1: Summary of significant accounting policies 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.

Notes to the financial statements continued

Note 1: Summary of significant accounting policies continued

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each branch.

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. The estimates and 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

Note 1: Summary of significant accounting policies continued

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Payment terms

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

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.

Notes to the financial statements continued

Note 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.

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

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.

Notes to the financial statements continued

Note 2: Financial risk management continued

(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	297,470	165,414
Total revenue from operating activities	297,470	165,414

Non-operating activities:

- interest received	3,650	3,941
Total revenue from non-operating activities	3,650	3,941
Total revenues from ordinary activities	301,120	169,355

Note 4: Expenses

Depreciation of non-current assets:

- plant and equipment	901	928
- leasehold improvements	1,729	1,425

Amortisation of non-current assets:

- franchise agreement	12,000	12,000
	14,630	14,353

Notes to the financial statements continued

	2007 \$	2006 \$
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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:

Operating loss	(25,683)	(175,765)
Prima facie tax on loss from ordinary activities at 30%	(7,705)	(52,730)
Add tax effect of:		
- non-deductible expenses	3,600	3,600
- timing difference expenses	660	5,313
- blackhole expenses	(1,423)	(1,423)
Income tax expense on operating loss	(4,867)	(45,239)

Note 6: Cash assets

Cash at bank and on hand	24,156	27,263
Term deposits	40,795	65,883

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	24,156	27,263
Term deposit	40,795	65,883
	64,951	93,146

Note 7: Trade and other receivables

Trade receivables	24,658	16,257
Prepayments	3,152	3,439
	27,810	19,696

Notes to the financial statements continued

	2007 \$	2006 \$
Note 8: Property, plant and equipment		
Plant and equipment		
At cost	8,169	6,688
Less accumulated depreciation	(1,829)	(928)
	6,340	5,760
Leasehold improvements		
At cost	38,210	24,263
Less accumulated depreciation	(3,154)	(1,425)
	35,056	22,838
Total written down amount	41,396	28,598
Movements in carrying amounts		
<i>Plant and equipment</i>		
Carrying amount at beginning	5,760	-
Additions	1,481	6,688
Disposals	-	-
Less: depreciation expense	(901)	(928)
Carrying amount at end	6,340	5,760
<i>Leasehold improvements</i>		
Carrying amount at beginning	22,838	-
Additions	13,947	24,263
Disposals	-	-
Less: depreciation expense	(1,729)	(1,425)
Carrying amount at end	35,056	22,838
Total written down amount	41,396	28,598

Notes to the financial statements continued

	2007 \$	2006 \$
Note 9: Intangible assets		
Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(24,000)	(12,000)
Goodwill - business	70,274	70,274
	106,274	118,274
Note 10: Deferred tax asset		
Tax losses - revenue	50,106	45,239
Note 11: Trade and other payables		
Trade creditors	20,665	17,646
Other creditors & accruals	3,000	2,400
	23,665	20,046
Note 12: Provisions		
Employee provisions	16,922	14,141
Number of employees at year end	4	4
Note 13: Contributed equity		
425,000 Ordinary shares fully paid of \$1 each (2006: 425,000)	425,000	425,000
Less: equity raising expenses	(23,708)	(23,708)
	401,292	401,292
Note 14: Accumulated losses		
Balance at the beginning of the financial year	(130,526)	-
Net loss from ordinary activities after income tax	(20,816)	(130,526)
Dividends paid	-	-
Balance at the end of the financial year	(151,342)	(130,526)

Notes to the financial statements continued

	2007 \$	2006 \$
Note 15: Statement of cash flows		
Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities		
Loss from ordinary activities after income tax	(20,816)	(130,526)
Non cash items:		
- depreciation	2,630	2,353
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- increase in receivables	(8,114)	(19,696)
- increase in other assets	(4,867)	(45,239)
- increase in payables	3,620	20,046
-increase in liabilities	2,781	14,141
Net cashflows provided by operating activities	(12,766)	(146,921)

Note 16: Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	4,000	3,300
- other services in relation to the Company	2,345	450
	6,345	3,750

Note 17: Director and related party disclosures

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

David Wayne Emms
 Ross Christopher Begent
 John Henry Harwood
 Jennifer Eileen Hunter
 Cr Noel Leslie Strohfeld
 Gunter Nehring
 Leslie Walter Schloss
 Terrence Edward Dhann
 Keith Roy Carroll

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

Directors shareholdings	2007	2006
David Wayne Emms	1,001	1,001
Ross Christopher Begent	2,001	2,001
John Henry Harwood	1,500	1,500
Jennifer Eileen Hunter	1,000	1,000
Cr Noel Leslie Strohfeld	501	501
Gunter Nehring	2,001	2,001
Leslie Walter Schloss	2,001	2,001
Cr Terrence Edward Dhann	501	501
Keith Roy Carroll	1,501	1,501

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

Note 18: Earnings per share

	2007 c	2006 c
<i>(a) Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company	(20,816)	(130,526)
<i>(b) Reconciliations of earnings used in calculating earnings per share</i>		
Loss attributable to the ordinary share holders of the Company used in calculating basic earnings per share	(4.89)	(30.71)
<i>(c) Weighted average number of shares used as the denominator</i>	2007 Number	2006 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	425,000	425,000

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.

Notes to the financial statements continued

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 the Yarraman district of Queensland.

Note 22: Registered office/Principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
23 Toomey Street	23 Toomey Street
Yarraman, QLD 4614	Yarraman, QLD 4614

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

Fixed interest rate maturing in												
Financial instrument	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	23,956	27,063	-	-	-	-	-	-	200	200	0.05	0.05
Term deposit	-	-	40,795	65,883	-	-	-	-	-	-	6.1	5.5
Receivables	-	-	-	-	-	-	-	-	27,810	19,696	-	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	23,665	20,046	-	N/A

Director's declaration

In accordance with a resolution of the Directors of Yarraman Financial Services Limited, we state that:

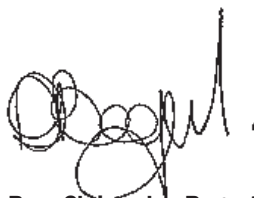
In the opinion of the Directors:

- (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.
- (b) 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.



David Wayne Emms, Chairman



Ross Christopher Begent, Secretary

Signed on 15 August 2007.

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 28 September 2007, which is within 6 weeks of this report being sent to shareholders. 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	174
	1,001 to 5,000	44
	5,001 to 10,000	12
	10,001 to 100,000	3
	100,001 and over	nil
	Total shareholders	233

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 is one shareholder holding less than a marketable parcel of shares.

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
John B Adams	27,000	6.35%
Nathan G Daley	20,000	4.71%
Rosalie Shire Council	20,000	4.71%
Paul B & Janice M Charlton	10,000	2.35%
Malcolm, Skene & Michael Finlayson	10,000	2.35%
James N & Elizabeth A Fowler	10,000	2.35%
Graeme A & Elizabeth A Hanisch	10,000	2.35%
John Hyslop	10,000	2.35%
Kerry C Wyvill	10,000	2.35%
James A & Robin K Morrison	10,000	2.35%
	137,000	0

BSX report continued

Registered office and principal administrative office

The registered office of the Company is located at:

23 Toomey Street
YARRAMAN, QLD 4614
Phone: 07 4163 8162

The principal administrative office of the Company is located at:

23 Toomey Street
YARRAMAN, QLD 4614
Phone: 07 4163 8162

Security register

The security register is kept at:

Computershare, GPO Box 2975
Melbourne, VIC 3001
Phone: 03 9145 4000

Company Secretary

Ross Begent has been the Company Secretary of Yarraman Financial Services Ltd since the commencement of the Company in April 2005.

Ross Begent's qualifications and experience include being the voluntary Secretary of a major employment organisation, Director of a State Government small business agency and Ministerial advisor on business policy. Ross is currently the Economic Development Officer for Rosalie Shire Council and has been appointed as a Community Bank Mentor by Bendigo Bank Limited.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- a) The establishment of an audit committee. Members of the audit committee are John Harwood, Keith Carroll and the Branch Manager
- b) Director approval of operating budgets and monitoring of progress against these budgets;
- c) Ongoing Director training; and active Director participation in an annual strategic planning and objective setting workshop.
- d) Monthly Director meetings to discuss performance and strategic plans.
- e) Directors performance reviews

Annexure 3A

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.



Yarraman **Community Bank**[®] Branch
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Franchisee: Yarraman Financial Services Limited
23 Toomey Street, Yarraman, QLD 4614
ABN 57 113 889 768

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ABN 11 068 049 178. AFSL 237879 (KKQAR7010) (09/07)