

2007 annual report

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Chairman's report

For year ended 30 June 2007

Total revenue from all banking activities for the fiscal year 2006/2007 amounted to \$518,050, an increase of \$51,285 over the prior year's operations. Our total treasury and receivable base stood at over \$51 million - an increase over last year's position of \$7.7 million. To break through the \$50 million mark is a milestone in the Company's operations and carries with it an increase in commissions earned from Bendigo Bank Ltd. Customer accounts numbers held are 3873, again an increase over last year's position of 3640.

In all, every department and sphere of operations covering Revenue, Receivable and Customer accounts held, proved to be a record year for your Company and I am sure you will join me and the Board in congratulating our highly skilled and dedicated branch staff. Ian Hamilton, who is known to many of you, has resigned as Branch Manager, effective from 31 July 2007, to take up an administrative role within the Anglican Church and we wish him every success in this endeavour. On the plus side, Ian has joined the Board of Directors which will add considerable depth of banking knowledge to the Company's Directorship. Our new Branch Manager, who commenced on 31 July 2007, is Chris Wilson. Chris has vast experience in the financial and banking world and has impressed the Board with his commonsense approach to matters coupled with sound business practices.

Our net profit after tax for the year was \$165 which, on the surface, appears out of step with the Company's operational results. This period under review is the fifth year of the commencement of the Branch opening with a franchise fee payable to Bendigo Bank Ltd to cover the next five years trading. The fee was \$55,000 including GST and was paid prior to 30 June 2007. In consultation with both our Accountants and Auditors, we were able to write-off \$45,000 of this expense this year and only need to capitalize \$10,000 to future years. The tax effect in our favour was considerable.

Accordingly, it is reasonable to state that the profit trend for the Company is sound albeit that the franchise fee is an expense we are faced with every fifth year. This is coupled with the fact that all borrowing from Bendigo Bank have been cleared (the overdraft facility) and we have cash reserves of \$136,817. It is with pleasure that I can advise that a dividend of \$0.07 cents per share will be paid at a date to be ratified at the next Board meeting which will be held in late-October 2007. In this regard I would remind all shareholders who have not previously done so, to provide their Tax File Number in writing to our Company Secretary, Robert Knight at PO Box 1640, Runaway Bay 4216. This is required by the Australian Tax Office before we can pay your fully franked dividend. Without your Tax File Number, withholding tax will apply.

Our sponsorship programs for the monthly Student Achievement Awards for Biggera Waters and Labrador Primary Schools continue with new sponsorships currently under review.

Shareholder will note the appointment of five (5) new Directors to the Board, details of whom appear in this Annual Report

On behalf of all shareholders, I again express my sincere thank to all Board members, past and present, who provide their time and professional service, most freely, without the usual Directors fees being paid in the running of a Public Company.

In closing, I again thank all Shareholders for their continued support and to look forward to future years under the guidance of a restructured Board of Directors and new branch management.



Robert D. PURCELL

Chairman

Manager's report

For year ended 30 June 2007

Firstly, I would like to take this opportunity to thank all stakeholders in Biggera Waters **Community Bank®** Branch in welcoming me as the new Branch Manager. My role only started on 30 July and I must say how delighted I am to be a part of the Biggera Waters **Community Bank®** Branch.

Ian Hamilton resigned as Branch Manager of Biggera Waters **Community Bank®** Branch in July but has accepted a role as a Director of Broadwater Financial Services Limited. Ian is still working with as a volunteer within Biggera Waters **Community Bank®** Branch and we value his continued support.

We have also had changes occur in the make-up of our Board - we farewelled Don Logan and David Hogan and we thank them for all of their support and wish them all the best in the future. We also welcome new Directors Pat Bowden, Leo Beutel, Chris Wheeldon and Robert Knight. I look forward to the continued support from all.

I would like to welcome Georgina McGrath, our new Customer Service Supervisor, who comes to us from Southport Branch; our new Customer Service Officer Marissa Uchino from Logan Village, and Adele Woodbury, our newest Customer Service Officer from the Banana Coast Credit Union. I would also like to welcome back Julie Parsons who has been on Maternity Leave for the past 12 months.

The year of 2007 culminated in the branch reaching \$51 Million plus in banking business. This can be attributed to the dedication of past and present staff and shows the commitment from everybody involved

I would personally like to thank you all for your commitment to the Biggera Waters **Community Bank®** Branch and I am looking forward to what the future holds.



Chris Wilson

Branch Manager

Biggera Waters **Community Bank®** Branch

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:

Robert D Purcell

Chairman

Occupation: Retired Manager Director

Experience and expertise:

Former General Manager Advance Bank Ltd

Former Managing Director Sunstate Mortgage Corporation Pty Ltd

Stephen M O'Donoghue

Director

Occupation: Pharmacist

Experience and expertise:

Local Pharmacist

Resident of Northern Gold Coast for 17 years

Robert J Knight

Director (Appointed 22 May 2007)

Occupation: Real Estate Licensee & Business Broker

Experience and expertise:

Former Chartered Accountant

Former Financial Controller & Company Secretary

Resident of Northern Gold Coast for 25 years

Leo S Beutel

Director (Appointed 22 May 2007)

Occupation: Retired Area Manager

Experience and expertise:

Retired Area Manager Hardy Wine Company

Former Boxing Host & Announcer

Resident of Northern Gold Coast for 22 years

Patricia M Bowden

Director (Appointed 22 May 2007)

Occupation: Business Owner & Director

Experience and expertise:

Owner Shade Sail Business and Airstrip

Aged Care & Qld Cancer Fund volunteer

Resident of Northern Gold Coast for 24 years

Christopher J Wheeldon

Director (Appointed 22 May 2007)

Occupation: Business Owner & Director

Experience and expertise:

Director of Family Trucking Business

Owner of Performance Vehicle business

Resident of Northern Gold Coast for 31 years

Ian L Hamilton

Director (Appointed 20 June 2007)

Occupation: Business Manager

Experience and expertise:

Manager of Anglican Parish - Gold Coast North

Former Manager Biggera Waters Community Bank

Resident of Northern Gold Coast for 18 years

Don A Logan

Director (Resigned 18 July 2007)

Occupation: Retired Manager

Experience and expertise:

Manager of Mission Australia Employment

Services at Biggera Waters

Resident for 14 years

John David Hogan

Director (Resigned 22 August 2007)

Occupation: Retired Magistrate & JP

Experience and expertise:

Retired Stipendiary Magistrate

Resident of area for 42 years

Alicia Beverley

Director (Resigned 26 October 2006)

Occupation: Self Employed Consultant

Experience and expertise:

Intellectual property consultant

Self employed for 20 years

Graeme M Comben

Director (Deceased 25 August 2006)

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

Graeme Comben held the position of Company Secretary until 25 August 2006. Robert Purcell held the position until 20 June 2007 when Robert Knight was appointed Company Secretary. His experience includes being a former Chartered Accountant, Financial Controller and Company Secretary of private and public listed companies.

Principal activities

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

There has been no significant changes in the nature of these activities during the year.

Operating results

Operations have continued to perform in line with expectations. The profit after tax of the Company for the financial year was:

Year ended 30 June 2007	Year ended 30 June 2006
\$ 165	\$ 21,003

Remuneration report

No Director of the Company 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.

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.

Likely developments

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

Significant events after the balance date

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.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' report continued

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors meetings

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

Number of meetings held:

11

Number attended	eligible to attend	number attended
Robert D Purcell	11	9
Stephen M O'Donoghue	11	10
Robert J Knight (Appointed 22 May 2007)	2	2
Leo S Beutel (Appointed 22 May 2007)	2	2
Patricia M Bowden (Appointed 22 May 2007)	2	2
Christopher J Wheeldon (Appointed 22 May 2007)	2	2
Ian L Hamilton (Appointed 20 June 2007)	1	1
John D Hogan (Resigned 22 August 2007)	11	5
Don A Logan (Resigned 18 July 2007)	11	9
Alicia Beverley (Resigned 26 October 2006)	4	2
Graeme M Comben (Deceased 25 August 2006)	2	2

Directors' report continued

Corporate governance

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

- a) Director approval of operating budgets and monitoring of progress against these budgets;
- b) Ongoing Director training; and
- c) Monthly Director meetings to discuss performance and strategic plans.

Signed in accordance with a resolution of the Board of Directors at Biggera Waters, Queensland on 8 October 2007.



Chairman - Robert D Purcell

Auditor's independence declaration

Richmond Sinnott & Delahunty

Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

8 October 2007

The Directors
Broadwater Financial Services Ltd
33 Hollywell Road
BIGGERA WATERS QLD 4216

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Broadwater Financial Services Ltd for the year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Financial statements

Income statement

For year ended 30 June 2007

	Note	2007 \$	2006 \$
Revenue from ordinary activities	2	518,050	466,765
Employee benefit expense	3	(263,111)	(226,274)
Depreciation and amortisation expense	3	(15,248)	(28,622)
Occupancy and associated costs		(74,642)	(51,461)
Systems costs		(25,788)	(25,604)
General administration expenses		(137,009)	(100,514)
Profit before income tax expense		2,252	34,290
Income tax expense	4	2,087	13,287
Profit after income tax expense		165	21,003
Earnings per share (cents per share)			
- basic for profit for the year	21	0.04	4.73
- diluted for profit for the year	21	0.04	4.73
- dividends paid or provided for per share	20	-	5.00

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	5	136,817	169,752
Receivables	6	41,724	37,049
Total current assets		178,541	206,801
Non-current assets			
Property, plant and equipment	7	133,078	139,458
Deferred income tax asset	4	5,583	7,670
Intangibles	8	8,667	7,535
Total non-current assets		147,328	154,663
Total assets		325,869	361,464
Current liabilities			
Payables	9	14,404	29,261
Provisions	10	15,948	36,851
Total current liabilities		30,352	66,112
Total liabilities		30,352	66,112
Net assets		295,517	295,352
Equity			
Share capital	11	406,858	406,858
Accumulated losses	12	(111,341)	(111,506)
Total equity		295,517	295,352

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			
Cash receipts in the course of operations		556,978	500,244
Cash payments in the course of operations		(565,156)	(436,145)
Interest received		7,471	6,768
Interest paid		(27)	(12)
Net cash flows from operating activities	13 (b)	(734)	70,855
Cash flows from investing activities			
Payments for property, plant and equipment		-	(6,311)
Payment for intangible assets		(10,000)	-
Net cash flows used in investing activities		(10,000)	(6,311)
Cash flows from financing activities			
Dividends paid		(22,201)	-
Net cash outflows from financing activities		(22,201)	-
Net increase in cash held		(32,935)	64,544
Cash at the beginning of the financial year		169,752	105,208
Cash at the end of the financial year	13 (a)	136,817	169,752

The accompanying notes form part of these financial statements.

Financial statements continued

Equity statement

For year ended 30 June 2007

	Note	2007 \$	2006 \$
Share capital			
<i>Ordinary shares</i>			
Balance at start of year		406,858	406,858
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		406,858	406,858
Retained earnings/(accumulated losses)			
Balance at start of year		(111,506)	(110,308)
Profit after income tax expense		165	21,003
Dividends paid or provided for		-	(22,201)
Balance at end of year		(111,341)	(111,506)

The accompanying notes form part of these financial statements.

Notes to the financial statements

Note 1: Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 8 October 2007.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2006 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1: Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold improvements	2.5 - 15%
Plant and equipment	2.5 - 25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the 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 cash flow statement on a gross basis.

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

Notes to the financial statements continued

Note 1: Basis of preparation of the financial report (continued)

Employee benefits

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

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest bearing liabilities

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

Notes to the financial statements continued

Note 1: Basis of preparation of the financial report (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 capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2007 \$	2006 \$
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Note 2: Revenue from ordinary activities

Operating activities

- services commissions	510,579	459,997
Total revenue from operating activities	510,579	459,997

Non-operating activities:

- interest received	7,471	6,768
- other revenue	-	-
Total revenue from non-operating activities	7,471	6,768
Total revenue from ordinary activities	518,050	466,765

Notes to the financial statements continued

	2007 \$	2006 \$
Note 3: Expenses		
Employee benefits expense		
- Wages and salaries	219,546	200,996
- Superannuation costs	21,785	15,791
- Workers' compensation costs	530	1,012
- other costs	21,250	8,475
	263,111	226,274
Depreciation of non-current assets:		
- leasehold improvements	3,461	2,696
- plant & equipment	2,919	3,566
Amortisation of non-current assets:		
- preliminary expenses	4,165	12,360
- intangibles	4,703	10,000
	15,248	28,622
Finance costs:		
- Interest paid	27	12
- Bad debts	2,792	2,295

Notes to the financial statements continued

	2007 \$	2006 \$
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Note 4: Income tax expense

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

Prima facie tax on loss from ordinary activities at 30%	676	10,287
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Add tax effect of:

- non-deductible expenses	1,411	3,000
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Current income tax expense	2,087	13,287
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Income tax expense	2,087	13,287
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Deferred income tax asset

Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.

	5,583	7,670
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Note 5: Cash assets

Cash at bank and on hand	29,375	9,752
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Term deposit	107,442	160,000
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	136,817	169,752
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Note 6: Receivables

Trade receivables	37,538	32,911
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Prepayments	4,186	4,138
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	41,724	37,049
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Notes to the financial statements continued

	2007 \$	2006 \$
Note 7: Property, plant and equipment		
<i>Leasehold improvements</i>	137,220	137,220
Less accumulated depreciation	(20,090)	(16,629)
Total written down amount	117,130	120,591
<i>Plant and equipment</i>		
At cost	31,820	31,820
Less: accumulated depreciation	(15,872)	(12,953)
Total written down amount	15,948	18,867
	133,078	139,458
Movements in carrying amounts:		
<i>Leasehold improvements</i>		
Carrying amount at beginning	120,591	124,157
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,461)	(3,566)
Carrying amount at end	117,130	120,591
<i>Plant & equipment</i>		
Carrying amount at beginning	18,867	15,252
Additions	-	6,311
Disposals	-	-
Less: depreciation expense	(2,919)	(2,696)
Carrying amount at end	15,948	18,867
	133,078	139,458

Notes to the financial statements continued

	2007 \$	2006 \$
Note 8: Intangible assets		
<i>Franchise fee</i>		
At cost	60,000	60,000
Less accumulated amortisation	(51,333)	(46,630)
	8,667	3,370
<i>Formation costs</i>		
At cost	61,800	61,800
Less: accumulated amortisation	(61,800)	(57,635)
	-	4,165
Total intangibles	8,667	7,535
Note 9: Payables		
Trade creditors	11,244	24,894
Accrued expenses	3,160	4,367
	14,404	29,261
Note 10: Provisions		
Employee provisions	15,948	14,650
Dividend provision	-	22,201
	15,948	36,851
Number of employees at year end	4	4
Note 11: Share capital		
Ordinary shares fully paid of \$1 each	444,025	444,025
Less preliminary expenses	(37,167)	(37,167)
	406,858	406,858

Notes to the financial statements continued

	2007 \$	2006 \$
Note 12: Retained earnings/(accumulated losses)		
Balance at the beginning of the financial year	(111,506)	(110,308)
Net profit after income tax	165	21,003
Dividends paid or provided for	-	(22,201)
Balance at the end of the financial year	(111,341)	(111,506)

Note 13: Statement of cash flows

(a) Reconciliation of cash

Cash at bank and on hand	29,375	9,752
Term deposit	107,442	160,000
	136,817	169,752

(b) Reconciliation of profit/(loss) after tax to net cash provided from/(used in) operating activities

Profit/(loss) after income tax	165	21,003
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Non cash items

- amortisation	8,868	22,360
- depreciation	6,380	6,262

Changes in assets and liabilities

- (increase)/decrease in receivables	(4,675)	(8,865)
- increase/(decrease) in payables	(14,857)	11,158
- increase/(decrease) in other liabilities	1,298	5,650
- (increase)/decrease in deferred income tax asset	2,087	13,287
Net cashflows provided by operating activities	(734)	70,855

Note 14: Auditors' remuneration

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

- Audit or review of the financial report of the Company	3,650	3,650
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Notes to the financial statements continued

Note 15: Director and related party disclosures

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

Robert D Purcell

Stephen M O'Donoghue

Robert J Knight (Appointed 22 May 2007)

Leo S Beutel (Appointed 22 May 2007)

Patricia M Bowden (Appointed 22 May 2007)

Christopher J Wheeldon (Appointed 22 May 2007)

Ian L Hamilton (Appointed 20 June 2007)

John D Hogan (Resigned 22 August 2007)

Don A Logan (Resigned 18 July 2007)

Alicia Beverley (Resigned 26 October 2006)

Graeme M Comben (Deceased 25 August 2006)

No Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	2007	2006
Robert D Purcell	5,000	5,000
Stephen M O'Donoghue	30,000	30,000
Robert J Knight (Appointed 22 May 2007)	-	-
Leo S Beutel (Appointed 22 May 2007)	-	-
Patricia M Bowden (Appointed 22 May 2007)	1,000	1,000
Christopher J Wheeldon (Appointed 22 May 2007)	-	-
Ian L Hamilton (Appointed 20 June 2007)	-	-
John D Hogan (Resigned 22 August 2007)	-	-
Don A Logan (Resigned 18 July 2007)	-	-
Alicia Beverley (Resigned 26 October 2006)	-	-
Graeme M Comben (Deceased 25 August 2006)	-	-

There was no movement in Directors shareholdings during the year. Each share held has a value of \$1.

Note 16: Subsequent events

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

Note 17: 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 18: Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity primarily operates in one geographic area being Biggera Waters & district, Queensland.

Note 19: Corporate information

Broadwater Financial Services Limited is a Company limited by shares incorporated in Australia. The registered office and principal place of business is:

<u>Registered office</u>	<u>Principal place of business</u>
33 Hollywell Road Biggera Waters, QLD 4216	33 Hollywell Road Biggera Waters, QLD 4216

2007	2006
\$	\$

Note 20: Dividends paid or provided for on ordinary shares

(a) Dividends proposed and recognised as a liability

Unfranked dividends - Nil cents per share (2006: 5 cents)	-	22,201
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Note 21: Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	165	21,003
Weighted average number of ordinary shares for basic and diluted earnings per share	444,025	444,025

Notes to the financial statements continued

Note 22: 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	9,374	9,752	-	-	-	-	-	-	-	-	0.05	0.05
Term deposit	-	-	107,442	160,000	-	-	-	-	-	-	5.4	5.3
Receivables	-	-	-	-	-	-	-	-	41,724	37,049	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	14,404	29,261	N/A	N/A

Director's declaration

In the opinion of the Directors:

- (1) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (ii) complying with Accounting Standards the Corporations Regulations 2001; and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance as represented by the results of its operations and its cash flows for the financial year ended on that date; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board:



Chairman - Robert D Purcell

Signed at Biggera Waters on the 8th of October 2007.

Independent Auditor report

Richmond Sinnott & Delahunty

Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF BROADWATER FINANCIAL SERVICES LIMITED

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Broadwater Financial Services Limited, for the year ended 30 June 2007.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independent Auditor report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Broadwater Financial Services Limited is in accordance with:

- (a) 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 year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

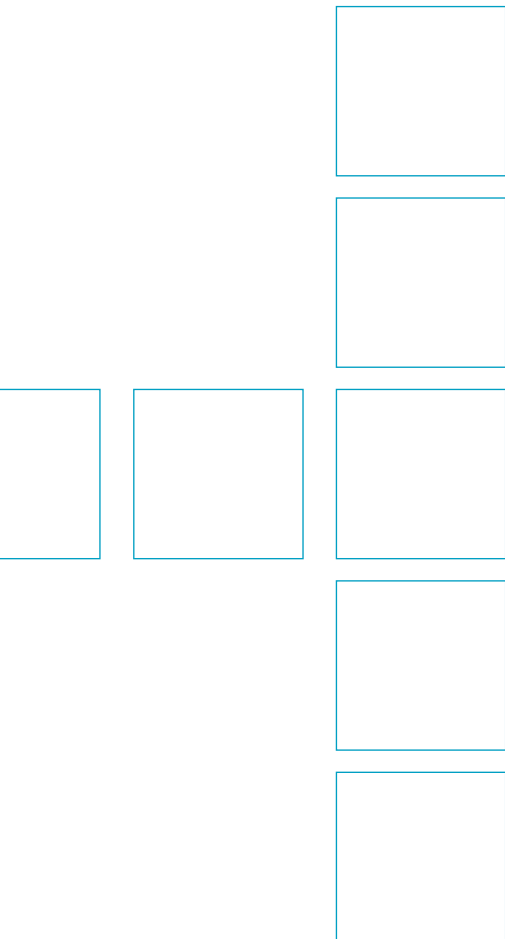
Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 8 October 2007



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