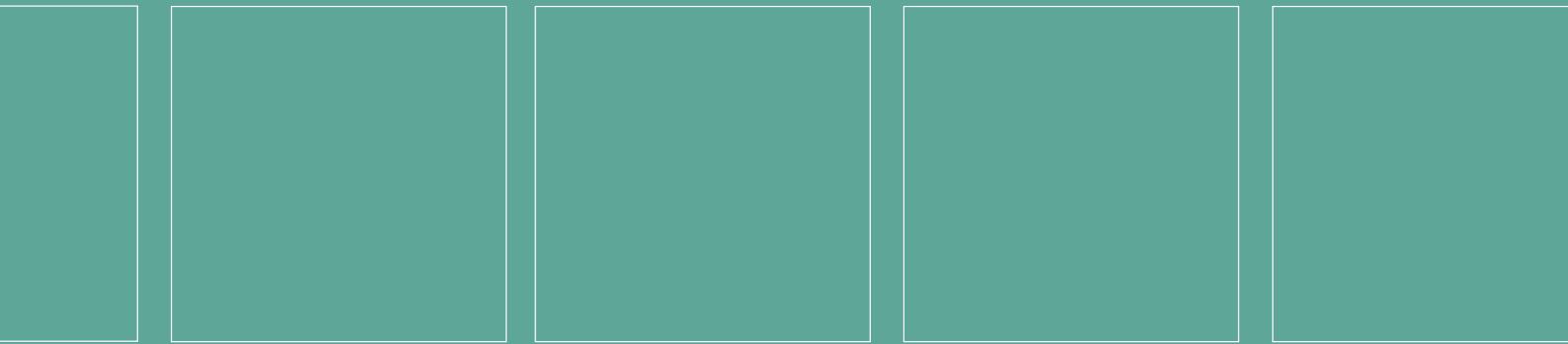


Hervey Bay & District
Financial Services Limited
ABN 46 116 567 072

2008
annualreport



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Chairman's report

For year ending 30 June 2008

This year sees the Hervey Bay **Community Bank®** branch complete its second year of trading since opening for business in June 2006.

The 2007/08 year has been tough for the business. While our deposits were comparatively high for the year, our lending figures were well below the budget targets. The slowdown in business growth was targeted by the Board with strategies that focused on marketing and advertising.

Six of the Directors from last year remain on the Board and we have introduced some exciting new Directors for the start of 2008. The Board is focused on seeking new Directors who have the time and expertise to steer the business towards a much improved performance in 2008/09. We had four Directors retire during the year; three left us at the end of 2007. One for health reasons, one to care for their partner and one through her normal work commitments. Work commitments caused the resignation of the fourth Director in April 2008. To all those Directors, I say thanks.

The task of serving as a volunteer Director takes a special commitment and involves personal sacrifice on behalf of the Company and the community.

I'd like to encourage our shareholders to bring their banking business across to the Hervey Bay **Community Bank®** branch. While your shareholding is a great support we also need you to bank with us, if you do we will be able to pay profits and return money to the local community faster.

If each shareholder brought \$50,000 of business to the bank we would move immediately to a break even situation. We encourage all shareholders to review their reasons for investing in the business. If you want the business to thrive and succeed, you need to support the Hervey Bay **Community Bank®** branch with your business and encourage your friends and business colleagues to bring their business across as well.

The staff has done an excellent job of providing a friendly banking environment for our customers. Thanks go to each and every one of them. Congratulations on their commitment to quality service and responsible banking outcomes.

Bendigo Bank has continued with their support role to the bank both at Board level and at staff level. We thank them for their continued guidance as to ways to grow the business in a fully subscribed banking market such as Hervey Bay.

While this year has been relatively quiet, we look forward to an improved performance in 2008/09.

We can achieve our goals in the next year with the combined efforts of the Board, the staff, Bendigo Bank and the support of the shareholders.



Rod Cullen

Chairman

Manager's report

For year ending 30 June 2008

I am very proud to be able to issue this report to you as the new Customer Service Manager for the Hervey Bay **Community Bank®** branch.

Our branch continues to grow and perform and the following is a summary of the financial year.

Staffing:

In a time when mobility is not seen as a problem we have experienced staff leaving the area and also in Natalia's case, taking on a maternal role. Whilst we can fill these positions, it is a time consuming exercise to train new staff to a level of competency we have set as a branch standard. With Julie, Gail and Angela having recently joined the team we are confident of continuing to provide first class service to our existing clients and expand our customer base. As well as our own branch staff we have access to Tracey (Financial Planning) and Mark (Business Banking) who are more than happy to meet with prospective clients.

Community Involvement:

We have been able to provide hands-on assistance to local groups such as the Starlight Foundation, local fishing competition and school leavers' careers functions. We have also provided financial support for aspiring sports persons and local community events in the form of bursaries and sponsorships. We have enjoyed success through our community sector banking not-for-profit organisations and this a area where you as share-holders can act as a positive link between the **Community Bank®** branch and the clubs. We are a **Community Bank®** branch and we're able to offer services to these groups that are difficult to be matched elsewhere. As many of our community minded shareholders are involved with these types of clubs, a simple reference could be a benefit to both of us.

How Can You Help:

If the retirement village in which you reside is arranging a function or your kids/grandkids school is holding a fete or your community group is arranging a charity day, we may be able to be of some assistance and gain exposure to a new customer base. The best way you can help the **Community Bank®** branch is to give us the opportunity to quote for your business – be it investments, borrowings, insurance or your everyday banking requirements. You may be pleasantly surprised and would be welcomed as a customer as well as a shareholder.

Summary:

I am pleased to report that the results we have achieved are consistent with our long term plan. Our more recent results indicate that we may well escalate our growth, particularly if we can increase our share of the lending market. The close relationship with our current Directors, under the leadership of Rod Cullen, augers well for the Hervey Bay **Community Bank®** branch to become as successful if not more so, than originally planned.

Looking forward to meeting with you soon.



Linda Brown

Directors' report

For year ending 30 June 2008

Your Directors present their report on the Company for the year ended 30 June 2008.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Rodney Mark Cullen

Chairman
Age: 51
Self employed Town Planner/Surveyor
Bachelor degree in Surveying and started own business in Surveying Consultancy. Graduate Diploma in Urban and Regional Planning and is now the senior partner in a multi-disciplinary consulting practice. A member of Hervey Bay Apex Club.
Chairman, Member, Due Diligence, Governance, Human Resource, Strategic Growth and Risk Management

Rebecca Jayne Pokarier

Treasurer
Age: 25
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 local sporting groups.
Treasurer, Member, Audit, Marketing

Christine Jean Riordan

Secretary
Age: 54
Administrative Officer
Local Nominee for Volunteer of the Year Award, has been Secretary and involved in numerous community organisations, festivals and projects.

Company Secretary, Member, Governance

Trevor Ian McDonald

Director
Age: 58
Retired School Administrator, 37 years with Education Queensland, 4 years as Councillor with Hervey Bay City Council, Bronze Medal World Masters Games Triple Jump. Member various community clubs and associations.
Member, Governance, Human Resource

Gretel Winifred Brennan

Director
Age: 61
Bachelor of Business (USQ), JP Qualified. Extensive experience in business and administration. Director of Wide Bay Women's Health Centre Inc. Member of various community organisations.
Member, Audit

Leigh Andrew Bennett

Director (Appointed 28 May 2008)
Age: 50
Business Consultant
CEO & Executive in local Government, Senior Manager in HRM (CSIRO, Tasmania State Government), education consultancy business owner.
Member, Marketing, Strategic Growth and Risk Management

Directors' report continued

David John Lewis

Director (Appointed 28 May 2008)
Age: 58
Solicitor
President/Executive of various clubs and Associations, Lifeline Board Member, Managing Partner legal practice for 30 years.

Member, Governance

Robin St John Farrington

Director (Resigned 25 January 2008)
Age: 79
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.

Melissa Rosanne Davis-Brown

Director (Resigned 20 March 2008)
Age: 47
Business Owner/Marketing Manager
Owner/operator of Marketing/Communications business, Marketing Manager of national franchise group. Extensive experience within marketing and media industries. Member of several local community groups.
Member, Marketing

Geoffrey Noel Rose

Director (Resigned 27 August 2007)
Age: 68
Farming & Property Investment
Managing Director of family Company which operates farming and property investment. Involved in various school and community organisations.
Member, Audit

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

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

Ian Gregory Richards

Director (Appointed 23 July 2008)
Age: 52
University Lecturer
Lecturer at USQ (Fraser Coast), ex-President of Toogoom Community Association, ex-Vice President of the Wide Bay Burnett Conservation Council, Chairperson of the Wide Bay Coastal Management Consultative Group, previously Information Technology consultant and business owner.
Member, Audit

Nina Jay Molina

Director (Resigned 31 October 2007)
Age: 28
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.

Douglas Shayne Kuhn

Director (Resigned 23 July 2008)
Age: 50
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

Directors' report continued

Company Secretary

The Company Secretary is Christine Jean Riordan. Christine was appointed to the position of Secretary on 24 April 2007. She has had extensive administration experience, has been Secretary and member of various community organisations, festivals and projects and was a local nominee for Volunteer of the Year Award.

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 2008	30 June 2007
	\$	\$
	(132,498)	(302,344)

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	
	Number eligible to attend	Number attended
Rodney Mark Cullen	9	8
Rebecca Jayne Pokarier	9	7
Christine Jean Riordan	9	7
Trevor Ian McDonald	9	7
Gretel Winifred Brennan	9	6
Leigh Andrew Bennett (Appointed 28 May 2008)	2	2
David John Lewis (Appointed 28 May 2008)	2	2
Ian Gregory Richards (Appointed 23 July 2008)	-	-
Robin St John Farrington (Resigned 25 January 2008)	4	4
Nina Jay Molina (Resigned 31 October 2007)	4	-
Melissa Rosanne Davis (Resigned 20 March 2008)	4	2
Geoffrey Noel Rose (Resigned 27 August 2007)	2	-
Douglas Shayne Kuhn (Resigned 23 July 2008)	9	6

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:

- 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 2008.



Rodney Mark Cullen, Chairman



Rebecca Jayne Pokarier, Treasurer

Auditor's independence declaration



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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Hervey & Bay & District Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 15th day of August 2008

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Income statement For year ending 30 June 2008

	Notes	2008 \$	2007 \$
Revenues from ordinary activities	3	253,461	113,986
Salaries and employee benefits expense		(220,000)	(209,073)
Advertising and promotion expenses		(13,667)	(3,989)
Occupancy and associated costs		(44,183)	(46,934)
Systems costs		(24,305)	(24,720)
Depreciation and amortisation expense	4	(19,297)	(16,727)
General administration expenses		(64,507)	(68,784)
Loss before income tax credit		(132,498)	(256,241)
Income tax expense/credit	5	-	(46,103)
Loss for the period		(132,498)	(302,344)
Loss attributable to members of the entity		(132,498)	(302,344)
Earnings per share (cents per share)		c	c
- basic for profit for the year	17	(16.35)	(41.6)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Notes	2008 \$	2007 \$
Assets			
Current assets			
Cash assets	6	119,370	234,666
Trade and other receivables	7	15,037	7,911
Total current assets		134,407	242,577
Non-current assets			
Property, plant and equipment	8	142,801	160,098
Intangibles	9	5,667	7,667
Total non-current assets		148,468	167,765
Total assets		282,875	410,342
Liabilities			
Current liabilities			
Trade and other payables	10	22,675	18,480
Provisions	11	8,346	11,093
Total current liabilities		31,021	29,573
Non-current liabilities			
Provisions	11	3,583	-
Total liabilities		34,604	29,573
Net assets		248,271	380,769
Equity			
Contributed equity	12	789,732	789,732
Accumulated losses	13	(541,461)	(408,963)
Total Equity		248,271	380,769

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Notes	2008 \$	2007 \$
Cash flows from operating activities			
Cash received from customers		259,804	88,478
Cash paid to suppliers and employees		(383,783)	(307,441)
Interest received		8,683	14,995
Interest paid		-	(21)
Net outflows from operating activities	14	(115,296)	(203,989)
Cash flows from investing activities			
Payments for property plant and equipment		-	(24,140)
Net cash outflows investing activities		-	(24,140)
Cash flows from financing activities			
Proceeds of share issues		-	114,089
Payment of share issue costs		-	(12,710)
Net cash inflows financing activities		-	101,379
Net increase in cash held		(115,296)	(126,750)
Cash at the beginning of the financial year		234,666	361,416
Cash at the end of the financial year	6(a)	119,370	234,666

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Notes	2008 \$	2007 \$
Total equity at the beginning of the period		380,769	569,024
Net loss for the period		(132,498)	(302,344)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		-	-
Shares issued during period		-	114,089
Total equity at the end of the period		248,271	380,769

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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).

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

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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

Intangibles

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

Cash

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

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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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

Payment terms

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

Trade receivables and payables

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

Borrowings

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

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.

Notes to the financial statements continued

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.

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 3. Revenue from ordinary activities

Operating activities

- services commissions	237,740	94,092
- other revenue	3,000	1,500
Total revenue from operating activities	240,740	95,592
Non-operating activities:		
- interest received	10,721	18,394
Total revenue from non-operating activities	10,721	18,394
Total revenues from ordinary activities	251,461	113,986

Note 4. Expenses

Depreciation of non-current assets:

- plant and equipment	11,791	12,072
- leasehold improvements	5,506	2,655

Amortisation of non-current assets:

- franchise agreement	2,000	2,000
	19,297	16,727
Bad debts	524	300

Note 5. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Operating loss	(132,498)	(256,241)
Prima facie tax on loss from ordinary activities at 30%	(39,750)	(76,872)
Add tax effect of:		
- non-deductible expenses	600	600
- blackhole expenses	(1,216)	(1,216)
- temporary timing differences	370	3,629
Tax losses not brought to account	39,996	73,859
Reversal of 2006 financial year deferred tax asset	-	46,103

Notes to the financial statements continued

	2008 \$	2007 \$
Note 5. Income tax expense (continued)		
Income tax expense on operating loss	-	46,103
Income tax losses:		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	(159,958)	(119,962)

Note 6. Cash assets

Cash at bank and on hand	16,314	19,511
Investment account	103,056	215,155
	119,370	234,666

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	16,314	19,511
Term deposit	103,056	215,155
	119,370	234,666

Note 7. Trade and other receivables

Trade receivables	14,237	7,111
Security deposit	800	800
	15,037	7,911

Note 8. Property, plant and equipment

Plant and equipment

At cost	74,140	74,140
Less accumulated depreciation	(26,703)	(14,912)
	47,437	59,228

Leasehold improvements

At cost	106,636	106,636

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment (continued)		
Less accumulated depreciation	(11,272)	(5,766)
	95,364	100,870
Total written down amount	142,801	160,098
<hr/>		
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	59,228	52,815
Additions	-	15,798
Disposals	-	-
Less: depreciation expense	(11,791)	(9,385)
Carrying amount at end	47,437	59,228
<hr/>		
Leasehold improvements		
Carrying amount at beginning	100,870	97,869
Additions	-	8,343
Disposals	-	-
Less: depreciation expense	(5,506)	(5,342)
Carrying amount at end	95,364	100,870
Total written down amount	142,801	160,098

Note 9. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,333)	(2,333)
	5,667	7,667

Notes to the financial statements continued

	2008 \$	2007 \$
Note 10. Trade and other payables		
Trade creditors	19,675	15,480
Other creditors & accruals	3,000	3,000
	22,675	18,480

Note 11. Provisions

Current		
Employee provisions	8,346	11,093
Non current		
Employee provisions	3,583	-
Number of employees at year end		
	5	5

Note 12. Contributed equity

810,000 Ordinary shares fully paid of \$1 each (2007: 810,000)	810,000	810,000
Less: equity raising expenses	(20,268)	(20,268)
	789,732	789,732

Note 13. Accumulated losses

Balance at the beginning of the financial year	(408,963)	(106,619)
Net loss from ordinary activities after income tax	(132,498)	(302,344)
Dividends paid	-	-
Balance at the end of the financial year	(541,461)	(408,963)

Note 14. Statement of cashflows

Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities		
Loss from ordinary activities after income tax	(132,498)	(302,344)
Non cash items:		
- depreciation	17,297	14,727
- amortisation	2,000	2,000

Notes to the financial statements continued

	2008 \$	2007 \$
Note 14. Statement of cashflows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(7,126)	24,155
- (increase)/decrease in other assets	-	46,103
- increase in payables	4,195	1,747
-increase in provisions	836	9,623
Net cashflows used in operating activities	(115,296)	(203,989)

Note 15. Auditors' remuneration

Amounts received or due and receivable by the

Auditor of the Company for:

- audit & review services	4,000	4,000
- non audit services	1,250	1,990
	5,250	5,990

Note 16. Director and related party disclosures

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

Rodney Mark Cullen

Rebecca Jayne Pokarier

Christine Jean Riordan

Trevor Ian McDonald

Gretel Winifred Brennan

Leigh Andrew Bennett (Appointed 28 May 2008)

David John Lewis (Appointed 28 May 2008)

Ian Gregory Richards (Appointed 23 July 2008)

Robin St John Farrington (Resigned 25 January 2008)

Nina Jay Molina (Resigned 31 October 2007)

Melissa Rosanne Davis (Resigned 20 March 2008)

Geoffrey Noel Rose (Resigned 27 August 2007)

Douglas Shayne Kuhn (Resigned 23 July 2008)

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 16. Director and related party disclosures (continued)

Directors shareholdings	2008	2007
Rodney Mark Cullen	10,001	10,001
Rebecca Jayne Pokarier	-	-
Christine Jean Riordan	500	-
Trevor Ian McDonald	1	1
Gretel Winifred Brennan	-	-
Leigh Andrew Bennett (Appointed 28 May 2008)	-	-
David John Lewis (Appointed 28 May 2008)	-	-
Ian Gregory Richards (Appointed 23 July 2008)	5,000	5,000
Robin St John Farrington (Resigned 25 January 2008)	501	501
Nina Jay Molina (Resigned 31 October 2007)	1	1
Melissa Rosanne Davis (Resigned 20 March 2008)	-	-
Geoffrey Noel Rose (Resigned 27 August 2007)	1,001	1,001
Douglas Shayne Kuhn (Resigned 23 July 2008)	15,001	15,001

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

Note 17. Earnings per share

	2008	2007
	\$	\$
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	(132,498)	(302,344)
	2008 Number	2007 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	810,000	726,856

Note 18. 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 19. 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 20. 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 21. Registered office/Principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
Shop 9/55-59 Main Street	Shop 9/55-59 Main Street
Pialba QLD 4655	Pialba QLD 4655

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

Financial instrument	Floating interest rate	Fixed interest rate maturing in						Non interest bearing	Weighted average effective interest rate	
		1 year or less		Over 1 to 5 years		Over 5 years				
		2008	2007	2008	2007	2008	2007	2008	2007	
		\$	\$	\$	\$	\$	\$	\$	\$	%

Financial assets

Cash assets	16,314	18,771	-	-	-	-	-	200	200	0.05	0.05
Trust account	-	541	-	-	-	-	-	-	-	2.75	2.75
Investment account	103,056	215,155	-	-	-	-	-	-	-	7.95	6.35
Payables	-	-	-	-	-	-	-	15,037	7,911	N/A	N/A

Financial liabilities

Payables	-	-	-	-	-	-	-	22,675	18,480	N/A	N/A
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Director's declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 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.



Rodney Mark Cullen, Chairman



Rebecca Jayne Pokarier, Treasurer

Signed on the 15th of August 2008.

Independent audit report



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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 2008, 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 director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

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 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. In note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls 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 audit report continued

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

- 1) The financial report 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 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.



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

Dated this 15th day of August 2008

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules to Company provides the following information as at 3 October 2008, 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	133
1,001 to 5,000	91
5,001 to 10,000	15
10,001 to 100,000	10
100,001 and over	Nil
Total shareholders	249

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 17 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		58,000	7.16%
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%
		290,000	35.80%

BSX report continued

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:

Bendigo Bank – Share Registry
Fountain Court
BENDIGO VIC 3550

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®** Branch
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Phone: (07) 4124 6201 Fax: (07) 4124 5306

Franchisee: Hervey Bay & District Financial Services Limited
Shop 9, 55 Main Street, Pialba QLD 4655
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ABN 46 116 567 072

www.bendigobank.com.au/public/hervey_bay
Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (KKQAR8018) (09/08)