

Lockhart & District
Financial Services Limited
ABN 14 099 918 080

Lockhart
& District
Community
Bank



2007 annual report



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Chairman's report

For year ending 30 June 2007

I am pleased to present my fifth annual report to shareholders of Lockhart & District Financial Services Limited.

During the 2006/07 financial year the Lockhart & District **Community Bank**[®] Branch of Bendigo Bank continued to provide full time banking services to the district as well as returning profits back to the community. The Company was also able to reward our loyal shareholders by way of our first dividend payment.

Although our total portfolio grew only marginally I consider this a satisfactory result considering the devastating drought experienced during 2006.

Profit for the year prior to provision for income tax was \$71,460, up from \$40,218 in the previous year and recorded after our major community contribution of \$43,000.

This contribution after a similar amount last year brings total funds distributed to the community to approximately \$100,000. It must also be remembered that any major contribution could not be made until the branch reached profitability, which did not happen until our third year of operation.

Grants this year went to many diverse groups and organisations throughout the district and the **Community Bank**[®] branch was also the major contributor to the permanent exhibition of the Doris Golder Wool Paintings.

Another community service was provided by your Company when a 24 hour ATM machine was installed at our Green Street premises.

We are also now in a position to reward our shareholders who enabled the establishment of the **Community Bank**[®] branch. Following a five per cent dividend paid last year I am pleased to advise that the Board have declared an eight per cent dividend for the current year which will be paid to shareholders in November.

In March the Board received the resignation of our Manager Peter Moore. Peter had been our Manager from day one and managed our business growth to a total portfolio of \$42 million. On behalf of the Board I wish Peter all the best for the future.

Our new Manager Clare Hamson joined us in May and I am pleased to report that she is settling into the position very well. Clare is a local who has experience in the financial industry and I am confident she will manage our Company to further success. I encourage all shareholders to make yourself known to Clare if you have not already done so. Clare and her staff are only too willing to help you with any of your banking needs.

I wish to extend my personal thanks to all Directors for their outstanding voluntary contribution to the success of our **Community Bank**[®] branch.

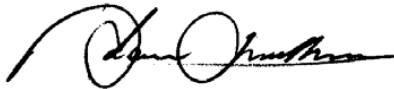
Chairman's report continued

On behalf of the Board thank you to our customer service team of Natasha Gowland ,Sarah Smyth, Christine Haberecht and Carol Smith who continue to provide professional and friendly service to our customers.

To our partner Bendigo Bank and our regional Manager Wayne Simpson, thank you for your support and assistance throughout the year. It is also pleasing to see Bendigo's **Community Bank®** model expanding in this part of the world with branches opening this year at Harden and Tumbarumba.

Last, but certainly not least, to both our shareholders and customers a big thank you for your support.

Remember by supporting the Lockhart & District **Community Bank®** Branch you are supporting your community.



Shane Trotter
Chairman

Manager's report

For year ending 30 June 2007

It gives me great pleasure to write this report as the newly appointed Branch Manager of the Lockhart & District **Community Bank**[®] Branch.

Having commenced my role during May 2007 and overseeing the remaining six weeks of the 2006-07 financial year, it is pleasing to see that while the worst drought in over 100 years still lingers, Lockhart & District **Community Bank**[®] Branch continues to achieve successful results.

The continued support from the local community sees your **Community Bank**[®] branch now at a very exciting stage. As we approach our fifth Birthday on 23 October this year, and with good profits being achieved, the community can look forward to enjoying further success through grants, donations, sponsorships and dividend payments. The greater the support our branch receives the greater these benefits will be.

Sponsorship and community grants this year exceeded \$47,000 and account numbers increased to approximately 1800 as at 30 June 2007.

The installation of our ATM in September 2006 has been another great achievement and has resulted in more people opening accounts together with large usage from non-Bendigo Bank customers. The additional business generated will go into our Company's banking business and provide additional profits to be channelled back into our local districts.

Our regional support continues to expand in the Riverina with a regional office being established in Wagga Wagga and the appointment to that office of agribusiness Manager John Walton. John, along with other specialised staff such as our business banking Manager John Norman, are available to all customers of Lockhart & District **Community Bank**[®] Branch.

Earlier this year we also welcomed the return of Christine Haberecht and Carol Smith. Along with Sarah Smyth, Natasha Gowland and myself, we now have an experienced, stable and dedicated compliment of staff going forward.

On a final note I would like to thank our customers, shareholders, hard working staff and Board members for their support, enthusiasm and commitment since commencing my role as Branch Manager in May this year. I look forward to the exciting challenges and opportunities of the coming year and continuing to achieve excellent results for our locally owned Lockhart & District **Community Bank**[®] branch.



Clare Hamson
Branch Manager

Bendigo Bank Ltd report

For year ending 30 June 2007

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.



Tim Butt
Regional Manager
South West NSW

Directors' report

For year ending 30 June 2007

The Directors present their report together with the accounts of Lockhart & District Financial Services Limited for the year ended 30 June 2007.

Directors

The names of Directors who held office during or since the end of the year are:

Philip James Bouffler	Christine Gay Mackey
Trevor Howard Day	Terence Cornelius McAuliffe
Kenneth John Hogan	Shane Cornell Trotter
Robert Henry Kendell	Marea Katherine Urquhart

Principal activities

The principle 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.

Result

The net profit of the Company for the financial year before provision for income tax was \$71,460 (2006 profit of \$40,218).

Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the reporting 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.

Directors interests and benefits

Since the end of the previous financial year no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts) because of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial interest.

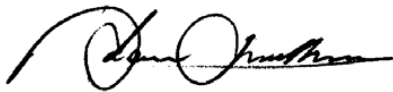
Directors' report continued

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Dated at Wagga Wagga 29 August 2007

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read 'S C Trotter', written over a horizontal line.

S C Trotter

Director

Auditor's independence declaration

As lead Auditor for the audit of Lockhart & District Financial Services Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- (a) No contraventions of the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.

John L Bush & Campbell

John L Bush & Campbell
Chartered Accountants

A handwritten signature in black ink, appearing to be 'P J King', with a long horizontal flourish extending to the right.

P J King
Partner

Wagga Wagga

29 August 2007

Financial statements

Statement of changes in equity

As at 30 June 2007

	Economic entity		Total
	Issued capital	Retained earnings	
	\$	\$	\$
Balance as at July 1 2005	550,009	(252,834)	297,175
Profit for period		107,646	107,646
Balance as at June 30 2006	550,009	(145,188)	404,821
Profit for period		45,426	45,426
Dividend paid		(27,500)	(27,500)
Balance as at June 30 2007	550,009	(127,262)	422,747

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash	5	172,569	115,689
Receivables	6	37,235	35,397
Other Financial Assets	7	4,951	6,157
Total current assets		214,755	157,243
Non-current assets			
Property, plant & equipment	9	189,948	199,387
Other financial assets	7	-	10,000
Deferred tax asset	8	41,394	67,428
Total non-current assets		231,342	276,815
Total assets		446,097	434,058
Current liabilities			
Payables	10	12,146	12,781
Provisions	11	11,204	16,456
Total current liabilities		23,350	29,237
Total liabilities		23,350	29,237
Net assets		422,747	404,821
Equity			
Contributed equity	12	550,009	550,009
Retained profits	13	(127,262)	(145,188)
Total equity		422,747	404,821

The Balance Sheet is to be read in conjunction with the notes to and forming part of the accounts.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Cash receipts in the course of operations		430,925	358,258
Cash payments in the course of operations		(344,974)	(292,333)
Net cash used by operating activities	15(ii)	85,951	65,925
Cash flows from investing activities			
Purchase of plant and equipment		(1,571)	-
Net cash used in investing activities		(1,571)	-
Cash flows from financing activities			
Payment of dividends		(27,500)	-
Net cash used in financing activities		(27,500)	-
Net increase / (decrease) in cash held		56,880	65,925
Cash at the beginning of the financial year		115,689	49,764
Cash at the end of the financial year	15(i)	172,569	115,689

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the accounts.

Notes to the financial statements

For year ending 30 June 2007

Note 1. Statement of significant accounting policies

The significant policies that have been adopted in the presentation of these financial statements are:

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Accounting Standards, Urgent Issues Group Consensus Views, other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on the basis of historical costs and does not take into account changing money values nor current valuations of the non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Income tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense is based on profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a deferred tax asset.

Deferred tax assets are not brought to account unless it is probable that the benefit will be realised.

(c) Property, plant and equipment

Freehold land and buildings are brought to account on the cost basis.

Plant and equipment are measured on the cost basis.

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	2.5%
Plant and equipment	20-40%

(d) Intangibles

Franchise fees

The Company has entered into a five year franchise agreement with Bendigo Bank for an initial 5 year term.

Notes to financial statements continued

Note 1. Statement of significant accounting policies (continued)

(e) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Contributions are made by the Company entity to employee superannuation funds and are charged as expenses when incurred.

(f) Revenue

Revenue from the rendering of service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Comparative figures

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

	2007	2006
	\$	\$

Note 2. Revenue

Operating activities

Fees	36,487	30,878
Gross margin	197,310	160,030
Trailers	117,718	116,514
Upfront commission	2,072	12,717
Market development	40,000	39,583
	393,587	359,722

Non-operating activities

Interest	10,241	5,507
	403,828	365,229

Notes to financial statements continued

	2007	2006
	\$	\$

Note 3. Income tax expense

The prime false tax on profit ordinary activities

before income tax at 30%	21,438	12,065
Less: tax losses		(76,416)
- timing differences	4,596	(3,077)
	26,034	(67,428)

Note 4. Profit from ordinary activities

Profit from ordinary activities before income tax has been determined after:

(a) Expenses

Amortisation of intangibles	10,000	10,000
Auditors remuneration	5,100	5,535
Depreciation of non-current assets	11,010	12,943

Note 5. Cash assets

Cash at bank	10,870	15,239
Sandhurst investment account	161,699	100,439
	172,569	115,678

Note 6. Receivables

Trade debtors	37,235	35,397
	37,235	35,397

Notes to financial statements continued

	2007 \$	2006 \$
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Note 7. Other financial assets

Current

Prepayments	4,951	5,157
Deposits		1,000
	4,951	6,157

Non-current

Current franchise fee	50,000	50,000
Less: accumulated amortisation	(50,000)	(40,000)
	-	10,000

Note 8. Deferred tax asset

Future tax benefit	41,394	67,425
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Note 9. Property, plant and equipment

Land - at cost	27,258	27,258
Buildings - at cost	154,337	154,337
Less: accumulated depreciation	(18,328)	(14,469)
	136,009	139,868
Plant and equipment - at cost	75,204	73,631
Less: accumulated depreciation	(48,523)	(41,370)
	26,681	32,261
	189,948	199,387

(b) Movement in carrying amounts

	Freehold land	Building	Plant & equipment	Total
Balance at beginning of year	27,258	139,868	32,261	199,387
Additions			1,571	1,571
Depreciation		(3,858)	(7,152)	(1,011)
Balance at end of year	27,258	136,010	26,680	189,945

Notes to financial statements continued

	2007 \$	2006 \$
Note 10. Payables		
Trade creditors	10,298	11,151
GST Payable	1,849	1,630
	12,147	12,781

Note 11. Provisions

Employee entitlements	11,204	16,456
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Note 12. Contributed equity

550,009 fully paid ordinary shares	550,009	550,009
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Note 13. Retained profits

Retained profits at the beginning of the financial year	(145,188)	(252,834)
Net profit / (loss) from ordinary activities	45,426	107,646
Dividend paid	(27,500)	
Retained profits at the end of the financial year	(127,262)	(145,188)

Note 14. Segment reporting

The economic entity operates predominately in one business and geographical segment being the provision of finance services.

Notes to financial statements continued

	2007	2006
	\$	\$

Note 15. Cash flow information

(i). Reconciliation of cash

For the purpose of the statement of Cash Flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial performance as follows:

Cash at bank	172,569	115,689
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(ii). Reconciliation of operating profit to net cash used in operating activities:

Profit / (loss) for year:	71,460	40,218
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Non cash flows recored in ordinary activities

Amortisation	10,000	10,000
Depreciation	11,011	12,943

Net cash provided / (used) in operating activities before changes in assets and liabilities during the year

(Increase) / decrease in other financial assets	1,206	1,165
(Increase) / decrease in receivables	(1,838)	(6,971)
Increase / (decrease) in payables	(635)	2,371
Increase / (decrease) in provisions	(5,253)	6,199
Net cash used in operating activities	85,951	65,925

Note 16. Related party transactions

There were no related party transactions between the Company and Directors during the year.

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

Philip James Bouffler	Christine Gay Mackay
Trevor Howard Day	Terence Cornelius McAuliffe
Kenneth John Hogan	Shane Cornell Trotter
Robert Henry Kendell	Marea Katherine Urquhart

Notes to financial statements continued

Note 17. Company details

The registered office of the Company is:

Lockhart & District Financial Services Limited
98 Green Street
Lockhart, NSW 2656

Note 18. Financial instruments

a) Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted av Interest rate		Floating Interest rate		Non-interest bearing		Total	
	2007 %	2006 %	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
Financial assets								
Cash at bank	5.45	5.35	172,569	115,689			172,569	115,689
Receivable assets					37,235	35,397	37,235	35,397
Total financial assets			172,569	115,689	37,235	35,397	209,804	151,086
Financial liabilities								
Payables					12,146	12,781	12,146	12,781
Total financial liabilities					12,146	12,781	12,146	12,381

b) Credit risk

The economic entity does not have any material credit risk exposure to any single debtor or a group of debtors under financial instruments entered into by the economic entity.

c) Net fair values

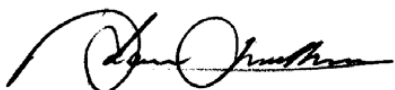
The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, are in accordance with the Corporations Act 2001:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and economic entity;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



S C Trotter
Director

Dated 30 August 2007

Independent audit report

To the Members of Lockhart & District Financial Services Limited

Scope

We have audited the financial statements of Lockhart & District Financial Services Limited for the financial year ended 30 June 2007, consisting of the Income Statement, Balance Sheet, Statement of Changes In Equity, Statement of Cash Flows, accompanying notes, and the Directors Declaration. The Company's Directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position and the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

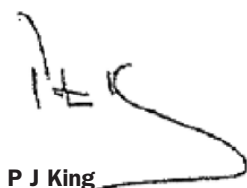
Audit opinion

In our opinion, the financial report of Lockhart & District 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 its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

John L Bush & Campbell

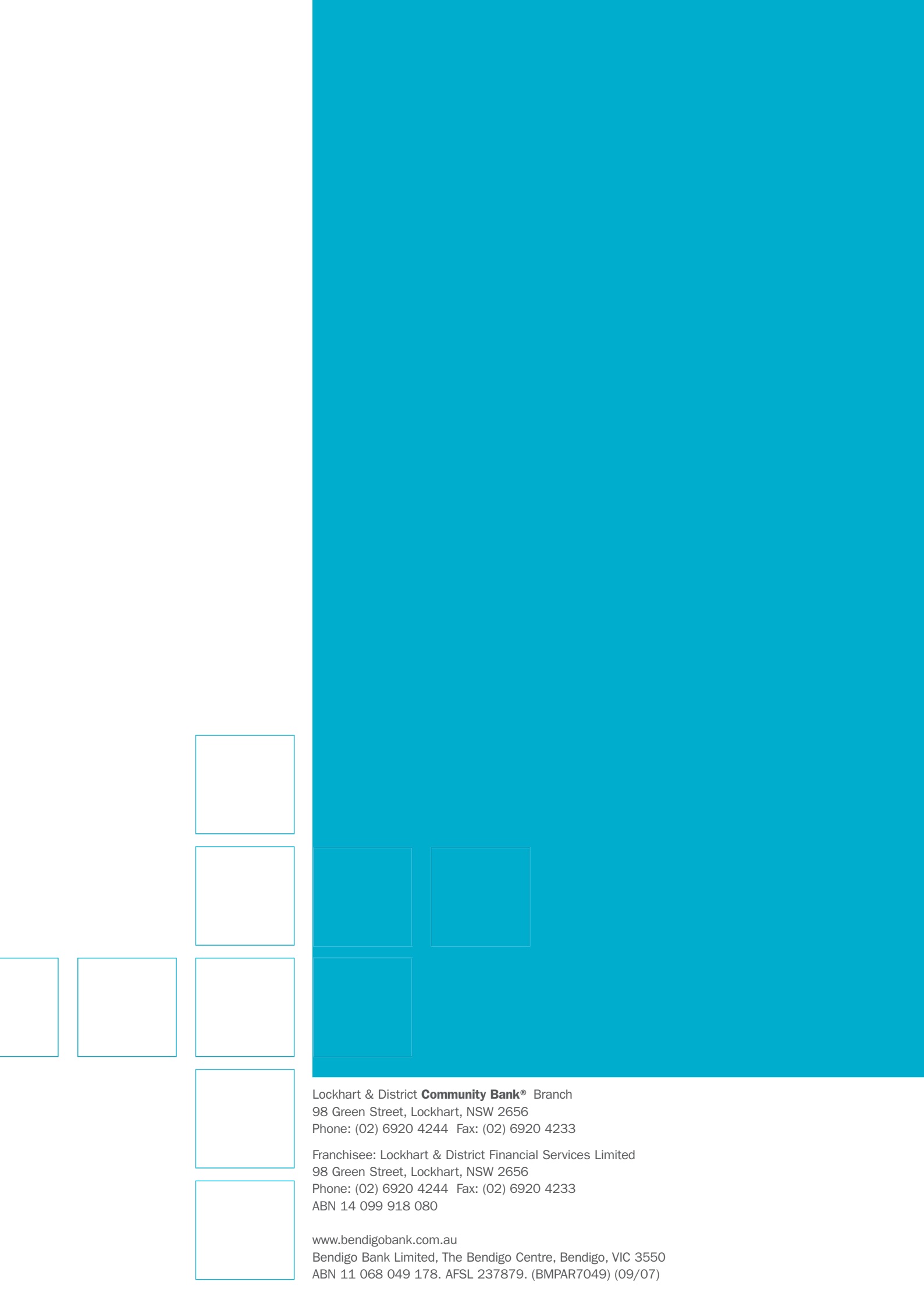
Chartered Accountants



P J King
Partner

Wagga Wagga

31 August 2007



Lockhart & District **Community Bank**[®] Branch
98 Green Street, Lockhart, NSW 2656
Phone: (02) 6920 4244 Fax: (02) 6920 4233

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98 Green Street, Lockhart, NSW 2656
Phone: (02) 6920 4244 Fax: (02) 6920 4233
ABN 14 099 918 080

www.bendigobank.com.au
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR7049) (09/07)