

ASIC registered agent number 9984

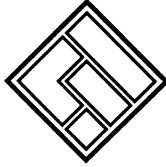
388

1/2

18 March 2002

lodging party or agent name AFS & ASSOCIATES PTY LTD
 office, level, building name or PO Box no.
 street number & name 61 - 65 BULL STREET
 suburb/city BENDIGO state/territory VIC postcode 3550
 telephone (03) 54430344
 facsimile (03) 54435304
 DX number suburb/city

ASS. ☐ REQ-A ☐
 CASH. ☐ REQ-P ☐
 PROC. ☐



Australian Securities & Investments Commission

copy of financial statements and reports

form **388**

Corporations Act 2001

294, 295, 298-300, 307, 308, 319, 321, 322

Corporations Regulations

1.0.08

Name HEATHCOTE DISTRICT FINANCIAL SERVICES LIMITED
 ACN / ARBN / ARSN/PIN 44 112 376 986

Reason for lodgement of statements and reports

- tick the appropriate box ☒ A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
☐ A registered scheme* (B)
☐ Amendment of financial statements or directors' report (company) (C)
☐ Amendment of financial statements or directors' report (registered scheme)* (D)
☐ A large proprietary company that is not a disclosing entity (H)
☐ A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
☐ A small proprietary company that is requested by ASIC to prepare and lodge statements and reports (J)
☐ A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins 1 / 7 / 04 and ends 30 / 06 / 05 (d/m/y)
 Date of Annual General Meeting (if applicable) / /

Details of large proprietary company

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

- A What is the consolidated gross operating revenue of the large proprietary company and the entities that it controls?

 B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

 C How many employees are employed by the large proprietary company and the entities that it controls?

 D How many members does the large proprietary company have?.....

Auditor report

Were the financial statements audited? Yes ☒ No ☐

If yes: Does the auditor's report (section 308) for the financial year contain a statement of:

* reasons for the auditor not being satisfied as to the matters referred to in section 307? Yes ☐ No ☒

* details of the deficiency, failure or shortcoming concerning any matter referred to in section 307? Yes ☐ No ☒

If no: Is there a class order exemption current for audit relief? Yes ☐ No ☐

* NOTE: Where a new auditor has been appointed to a Registered Scheme, Form 5137 - Appointment of Scheme Auditor must be lodged

Details of current auditor*

The auditor can be a person or a firm.

If a person

name (family & given names)

Auditor Registration no:

office

level

building name

street number & name

suburb / city

state / territory

postcode

date of appointment (d/m/y)

/ /

or**If a firm**name of firm **ANDREW FREWIN & STEWART**

office

level

building name

street number & name

61 - 65 BULL STREET

suburb / city

BENDIGOstate / territory **VIC**postcode **3550**

Business Registration number

(if applicable)

State / Territory registered in

date of appointment (d/m/y)

20 / 1 / 05**Statements and reports to be attached to this form**

Financial statements for the year (as per ss295(2))

*statement of financial performance for the year (profit and loss statement)**statement of financial position as at the end of the year (balance sheet)**statement of cash flows for the year**if required by accounting standards - consolidated profit & loss statement, balance sheet and statement of cash flows*

Notes to financial statements (as per ss295(3))

*disclosures required by the regulations**notes required by the accounting standards**any other information necessary to give a true and fair view (see s297)*

The directors' declaration about the statements and notes (as per ss 295(4))

The directors' report for the year (as per s 298 to 300)

Auditor's report required under sections 308 and 314

CertificationI certify that the attached documents marked (☒) are a true copy of the annual reports required under Section 319.

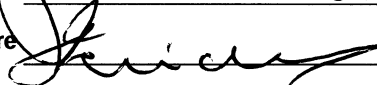
print name

JOHN LESLIE SHERIDAN

capacity

CHAIRMAN

sign here



date

24/10/05* **NOTE:** Where a new auditor has been appointed to a Registered Scheme, **Form 5137 - Appointment of Scheme Auditor** must be lodged

Small Business (less than 20 employees), please provide an estimate of the time taken to complete this form

Include

- The time actually spent reading the instructions, working on the question and obtaining the information
- The time spent by all employees in collecting and providing this information

hrs

mins

Heathcote District Financial Services Limited
ABN 44 112 376 986
Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2005.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Barry Maxwell Cail

Director

Age : 52

Occupation : Newspaper Publisher

Experience and expertise : Career in journalism
in metropolitan and regional newspapers

Special responsibilities : Public Relations Committee

Keith Macpherson Chambers

Director

Age : 53

Occupation : Primary School Principal

Experience and expertise : Career in education
in regional Victoria

Special responsibilities : Staffing Committee

Jeremy Myddleton Davis

Director

Age: 45

Occupation : Owner / manager

Experience and expertise : Career in the Air Force,
managerial positions in the Heavy Machinery Industry
and small business

Special responsibilities : Public Relations Committee

Kathryn Mary Gilmore

Director

Age: 32

Occupation : Mother & Administration Assistant

Experience and expertise : Career in the finance industry
including extensive company secretarial work.

Special responsibilities : Company Secretary &
Due Diligence Committee

Adolf John Hill

Director

Age: 70

Occupation : Grazier

Experience and expertise : Career in farming and
small business. Former President of the Hospital Board

Special responsibilities : Legal Committee

John Leslie Sheridan

Director

Age: 65

Occupation : Real Estate Agent

Experience and expertise : Extensive career in the
finance industry. Former President of the Heathcote
Primary School board

Special responsibilities : Chair, Premises
Committee & Staffing Committee

Colin Bernard Stobaus

Director

Age: 59

Occupation : Builder

Experience and expertise : Owned and operated
building business for 28 years.

Special responsibilities : Premises Committee

Penelope Jane Wigg

Director

Age: 53

Occupation : Company Director / Business Manager

Experience and expertise : Career in army
administration and small business (training
consultancy). Owns and operates a vineyard.

Special responsibilities : Staffing Committee

Gregory John Williams

Director

Age: 42

Occupation : Business Proprietor

Experience and expertise : Former Corporate
Accountant & Mayor, City of Greater Bendigo.

Special responsibilities : Treasurer & Due
Diligence Committee

Joseph Zurek

Director

Age: 57

Occupation : Retired

Experience and expertise : Career as a Corporate
Accountant and Supermarket Proprietor.

Special responsibilities : Due Diligence
Committee & Legal Committee

Directors were in office for this entire year (from incorporation on 5 January 2005) unless otherwise stated.

Except as noted below (in Directors' benefits), no Directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Kathryn Mary Gilmore. She was appointed to the position of secretary on 5 January 2005. Kathryn has extensive administrative experience working for an Accounting Firm.

Heathcote District Financial Services Limited
ABN 44 112 376 986
Directors' Report

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

The company commenced trading during the year. The loss of the company for the financial year after provision for income tax was \$46,520. This predominantly represents the incurring of start up costs

Remuneration Report

No Director of the company receives remuneration for services as a company director or Committee member.

The Board's policy in respect of the branch manager is to maintain remuneration at parity within the Community Bank® network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role.

There are therefore no Specified Executives.

Dividends

No dividends were declared or paid during the 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.

Significant events after the balance date

The company listed on the Bendigo Stock Exchange (BSX) on 15 July 2005.

The company opened its CommunityBank branch of Bendigo Bank on 26 August 2005.

Business continues to grow in line with expectations.

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 providing banking services to the community.

Environmental Regulation

The company is not subject to any significant environmental regulation

Directors' Benefits

Except as disclosed in note 17 (page 12) 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.

Heathcote District Financial Services Limited
ABN 44 112 376 986
Directors' Report

Directors Meetings

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

	<u>Number of Board Meetings eligible to attend</u>	<u>Number attended</u>
Barry Maxwell Cail	23	21
Jeremy Myddleton Davis	23	20
Keith Macpherson Chambers	23	17
Kathryn Mary Gilmore	23	19
Colin Bernard Stobaus	23	20
Adolf John Hill	23	22
John Leslie Sheridan	23	22
Penelope Jane Wigg	23	21
Gregory John Williams	23	20
Joseph Zurek	23	23

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 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 Board to ensure they do not impact on the impartiality and objectivity of the auditor;

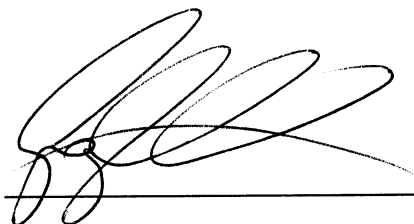
None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the Board of Directors at Heathcote on 23 September 2005.



John Leslie Sheridan, Chairman



Gregory John Williams, Director



23 September 2005

Auditor's Independence Declaration

As lead auditor for the audit of Heathcote & District Financial Services Limited for the year ended 30 June 2005, 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.

This declaration is in respect of Heathcote & District Financial Services Limited

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo
VIC 3550

Heathcote District Financial Services Limited
ABN 44 112 376 986
Statement of Financial Performance
for the year ended 30 June 2005

	<u>Notes</u>	2005 \$
Revenues from ordinary activities	2	652
General administration expenses		(5,833)
Salaries and employee benefits expense		(61,149)
Borrowing cost expense	3	<u>(126)</u>
Loss from ordinary activities before income tax credit		(66,457)
Income tax credit relating to ordinary activities	4	<u>19,937</u>
Loss from ordinary activities after income tax credit		<u>(46,520)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u><u>(46,520)</u></u>

The accompanying notes form part of these financial statements

Heathcote District Financial Services Limited
ABN 44 112 376 986
Statement of Financial Position
as at 30 June 2005

	<u>Notes</u>	2005 \$
Current Assets		
Cash assets	5	439,661
Receivables	6	13,022
Total Current Assets		<u>452,682</u>
Non-Current Assets		
Intangibles	8	60,000
Deferred tax assets	9	19,937
Total Non-Current Assets		<u>79,937</u>
Total Assets		<u>532,619</u>
Current Liabilities		
Payables	10	17,158
Total Current Liabilities		<u>17,158</u>
Total Liabilities		<u>17,158</u>
Net Assets		<u>515,461</u>
Equity		
Contributed equity	13	561,981
Accumulated losses	14	(46,520)
Total Equity		<u>515,461</u>

The accompanying notes form part of these financial statements

Heathcote District Financial Services Limited
ABN 44 112 376 986
Statement of Cashflows
for the year ended 30 June 2005

	<u>Notes</u>	2005 \$
Cash Flows From Operating Activities		
Cash received in the course of operations		198
Cash paid in the course of operations		(62,845)
Interest received		454
Interest paid		(126)
Net cash provided by/(used in) operating activities	15(a)	<u>(62,320)</u>
Cash Flows From Investing Activities		
Payment for intangible assets		(60,000)
Net cash provided by/(used in) investing activities		<u>(60,000)</u>
Cash Flows From Financing Activities		
Proceeds of share issues		586,310
Payment of share issue costs		(24,329)
Net cash provided by financing activities		<u>561,981</u>
Net increase/(decrease) in cash held		439,661
Cash at the beginning of the financial year		-
Cash at the end of the financial year	15(b)	<u><u>439,661</u></u>

The accompanying notes form part of these financial statements

Heathcote District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2005

1. Summary of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs 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.

Comparatives have not been provided as the company was incorporated during the financial year.

Income tax

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the 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 expenses 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 future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

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 statement of financial position. 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 operating cash flows.

Heathcote District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2005

1. Summary of significant accounting policies (continued)

Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

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

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.

Property, plant and equipment

Property, plant and equipment are carried at cost or at independent or directors' valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

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

<u>Class of fixed assets</u>	<u>Depreciation rate (%)</u>
Plant and equipment	2.5 - 25
Furniture and fittings	2.5 - 25

Comparative figures

Comparatives have not been provided as the company was incorporated during the 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).

Heathcote District Financial Services Limited

ABN 44 112 376 986

**Notes to the Financial Statements
for the year ended 30 June 2005**

1. Summary of significant accounting policies (continued)

Payment terms

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

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.

Interest Bearing Liabilities

All loans are 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 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.

	2005
	\$
2. Revenue from ordinary activities	
Operating activities:	
- margin income	63
- commissions	52
- other revenue	83
Total revenue from operating activities	<u>198</u>
Non-operating activities:	
- interest received	454
Total revenue from non-operating activities	<u>454</u>
Total revenues from ordinary activities	<u><u>652</u></u>

Heathcote District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2005

	2005 \$
3. Expenses	
Borrowing expenses:	
- interest paid	<u>126</u>
4. Income tax expense	
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:	
Operating Profit/(Loss)	(66,457)
Prima facie tax on profit/(loss) from ordinary activities at 30%	(19,937)
Income tax expense on operating profit/(loss)	<u>(19,937)</u>
5. Cash assets	
Cash at bank and on hand	<u>439,661</u>
6. Receivables	
Trade receivables	13,022
	<u>13,022</u>
8. Intangible assets	
<i>Franchise Fee</i>	
At cost	60,000.00
Less: accumulated amortisation	-
	<u>60,000.00</u>
9. Defferred Tax Benefit	
Future income tax benefit	
Tax losses - revenue	<u>19,937</u>
10. Payables	
Trade Creditors	17,158
Other creditors & accruals	<u>17,158</u>
13. Contributed equity	
XXX Ordinary shares fully paid of \$1 each	586,310
Less preliminary expenses	<u>(24,329)</u>
	<u>561,981</u>

Heathcote District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2005

	2005
	\$
14. Retained Earnings / Accumulated Losses	
Balance at the beginning of the financial year	-
Net profit/(loss) from ordinary activities after income tax	(46,520)
Balance at the end of the financial year	<u>(46,520)</u>
15. Statement of cashflows	
<i>(a) Reconciliation of cash</i>	
Cash at bank and on hand	439,661
	<u>439,661</u>
<i>(b) Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities</i>	
Profit/(Loss) from ordinary activities after income tax	
Changes in assets and liabilities:	
- (increase)/decrease in receivables	
- (increase)/decrease in other assets	
- increase/(decrease) in payables	
Net cashflows provided by/(used in) operating activities	<u>-</u>
16. Auditors' remuneration	
Amounts received or due and receivable by the auditor of the company for:	
- audit & review services	1,800
- other services in relation to the company	<u>2,800</u>
	<u>4,600</u>
17. Director and Related party disclosures	
The names of directors who have held office during the financial year are:	
Barry Maxwell Cail	
Jeremy Myddleton Davis	
Keith Macpherson Chambers	
Kathryn Mary Gilmore	
Colin Bernard Stobaus	
Adolf John Hill	
John Leslie Sheridan	
Gregory John Williams	
Penelope Jane Wigg	
Gregory John Williams	
Joseph Zurek	

No director's fees have been paid as the positions are held on a voluntary basis.

Heathcote District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2005

17. Director and Related party disclosures (continued)

The company has entered into an agreement with the Mitbro Trust to lease the property at shop 2 119 Hight St Heathcote for a five year period terminating on 25th August 2010. Director Joseph Zurek is a trustee of the Milbro Trust.

This contract was approved by the board with Mr Zurek declaring a pecuniary interest and excluding himself from the discussions and approval process undertaken by the board.

The company also undertook advertising in the Mclvor Times Newspaper in which Director Barry Cail had an ownership interest. The advertising was provided in accordance with normal commercial terms and conditions.

No other directors or related entity has entered into a material contract with the company.

Directors shareholdings	2005
Barry Maxwell Cail	2,001
Jeremy Myddleton Davis	1
Keith Macpherson Chambers	1,001
Kathryn Mary Gilmore	801
Colin Bernard Stobaus	3,001
Adolf John Hill	501
John Leslie Sheridan	2,001
Penelope Jane Wigg	1,001
Gregory John Williams	2,001
Joseph Zurek	10,001

All directors shareholdings were allocated during the year. Each share held is valued at \$1 and is fully paid.

18. Earnings per Share

Earnings per share for the financial year have not been calculated as the company did not commence trading late June 2005.

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19. International Financial Reporting Standards - Impact of adopting Australian equivalents to IFRS

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Company has established a project team to manage the transition to AIFRS, including training of staff and internal control changes necessary to gather all the required financial information. The transition is currently on schedule.

In the Company's opinion, no material impacts are expected in relation to the financial report for the year ended 30 June 2005. There are no impacts to be disclosed.

Impact on the statements of financial performance

Nil

Impact on the statements of financial position

Nil

Heathcote District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2005

19 (a) Income Tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

19. International Financial Reporting Standards - Impact of adopting Australian equivalents to IFRS (Continued...)

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005, there would have been no impact on the value of deferred tax assets or liabilities.

20. Subsequent events

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

21. Contingent liabilities

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

22. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being the Heathcote District of Victoria.

23. Registered office/Principal place of business

The registered office and principal place of business is: 1 Shakespeare St., HEATHCOTE VIC 3523
Note : From 26th August 2005 the principal place of business is Shop 2, 119 High St., HEATHCOTE

Heathcote District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements for the year ended 30 June 2005

24. 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.

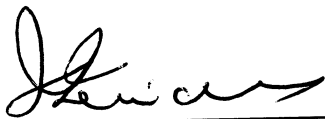
Interest rate risk

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					
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
managerial posi	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	239,661	N/A	200,000	N/A	-	N/A	-	N/A	-	N/A	4.95	N/A
Receivables	-	N/A	-	N/A	-	N/A	-	N/A	13,022	N/A	-	N/A
Financial liabilities												
Interest bearing liabilities	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A
Payables	-	N/A	-	N/A	-	N/A	-	N/A	17,158	N/A	-	N/A

Heathcote District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2003

In the Directors opinion:

- (1) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) 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 2005 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.



John Leslie Sheridan, Chairman



Gregory John Williams, Director

Signed on 23rd of September 2005.

INDEPENDENT AUDIT REPORT

To the members of Heathcote & District Financial Services Limited

Scope

We have audited the financial report of Heathcote & District Financial Services Limited for the financial year ended 30 June 2005 including the Directors' Declaration. The company's Directors are responsible for the financial report. We have 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 to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position and performance as presented by the results of its operations and cash flows.

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

AUDIT OPINION

In our opinion the financial report of Heathcote & 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 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



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

Dated 23 September 2005