

Contents

Chairperson's report	2
Manager's report	3
Directors' report	4-8
Financial statements	9-11
Notes to the financial statements	12-21
Directors' declaration	22
Independent audit report	23
Auditor's independence declaration	24
BSX report	25-26

Chairperson's report

For year ending 30 June 2005.

Heathcote and District Financial Services Ltd was incorporated on 5th January 2005. Prior to and during that time three significant events took place as part of the development of our Community Bank® branch. These were:-

- Pledge stage in which the extent of likely community investment in the project was gauged.
- Feasibility stage in which the likely extent of banking business was established.
- Share capital stage in which the community was invited to invest in our Community Bank® branch.

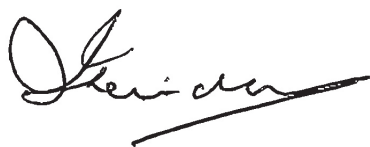
During all of these stages the level of community support and encouragement was outstanding and this has ensured that the concept of the Heathcote and District Community Bank® Branch has become a reality.

This then enabled the Board in conjunction with the Bendigo Bank, to set about appointing staff which has resulted in the appointment of Sally Mc Gaffin as Manager and her team of Jodie Rowe – Senior Customer Service Officer, Josaphine Jacobs, Wendy Peers and Catherine Perris; we welcome them to their positions and are heartened by their obvious commitment and enthusiasm.

Our premises at 119 High Street, Heathcote provides first class facilities and we believe that the building blends in with its surrounds and enhances the streetscape.

Our Community Bank® branch is now a reality, it has been achieved by enormous community support, the practical support and encouragement of the staff of our partners, the Bendigo Bank and the outstanding commitment and dedication of both the current and past Board and Sub Committee members. Their hard work has ensured that this community has its own Community Bank® branch.

I am confident that our Bank will develop and make a significant contribution to the development of Heathcote and surrounds.



John Sheridan
Chairman

Manager's report 30 June 2005

I was appointed as the Branch Manager of the Heathcote & District Community Bank® Branch in May 2005 and commenced employment with the Bendigo Bank on the 27th June 2005, in anticipation of the opening of our temporary facility later in July.

Even though we were yet to commence any direct Banking operations as at the 30th June, our business was off to a good start thanks to the efforts of the local Bendigo Bank Agency conducted at the Heathcote Pharmacy. All accounts directly opened by the Agency were bought across to our branch, with the Agency ceasing trading upon opening of the branch later in August. The Agency contributed approximately \$1.2 million dollars of business, consisting of both deposit and lending accounts. We should all commend Pharmacist Gordon Sloan and his staff for their contribution to our business.

Our Business Banking colleagues at the Bendigo Bank had also been off to an early start, working behind the scenes to assist many local businesses with their financial requirements. Some of this business also came aboard prior to the 30th June.

Thanks to the Agency and our Business Banking colleagues, our total business, consisting of deposits and lending, as at the 30th June 2005, was \$1,913,565.

Staff had been appointed late in May 2005, with three part-time and one full time Customer Service Officer. Full-time CSO Jodie Rowe commenced duties at the temporary office along with myself, and the part-time staff commenced with the opening of the branch. There was considerable training to be undertaken and this will continue over the coming months.

The inclusion of the Automatic Teller Machine in our Branch can only be considered as a real asset for the local community and the many visitors and passing traffic.

At the time of writing this report, and with the Branch now established, early indications show that we are well on our way to meeting, if not exceeding our initial expectations.

Of course, to ensure the success of the business, it will be essential that we get the early support of all shareholders and the local community.

Branch staff and I are looking forward to the coming year and the development of the Community Bank® branch. Our aim is to provide excellent service at all times and also to ensure that a profitable business can be established for the benefit of the local community. I look forward to seeing you all in the branch soon.

Regards



Sally McGaffin
Branch Manager.

Directors' report 30 June 2005

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

Directors' report 30 June 2005 continued

Gregory John Williams

Director

Age: 42

Occupation : Business Proprietor

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

Special responsibilities : Treasurer & Due Dilligence Committee

Joseph Zurek

Director

Age: 57

Occupation : Retired

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

Special responsibilities : Due Dilligence 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.

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.

Directors' report 30 June 2005 continued

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 Community Bank® 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 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. The premium paid in respect to this policy is \$2,860.

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' report 30 June 2005 continued

Directors Meetings

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

	Number of Board Meetings eligible to attend	Number attended
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.

Directors' report 30 June 2005 continued

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

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

Financial statements

Statement of financial performance

For year ending 30 June 2005

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

Financial statements continued

Statement of financial position

As at 30 June 2005

	Note	2005 \$
CURRENT ASSETS		
Cash assets	5	439,661
Receivables	6	13,022
Total current assets		452,682
NON-CURRENT ASSETS		
Intangibles	8	60,000
Deferred tax assets	9	19,937
Total non-current assets		79,937
Total assets		532,619
CURRENT LIABILITIES		
Payables	10	17,158
Total current liabilities		17,158
Total liabilities		17,158
Net assets		515,461
EQUITY		
Contributed equity	13	561,981
Accumulated losses	14	(46,520)
Total equity		515,461

Financial statements continued

Statement of cash flows

For the year ending 30 June 2005

	Note	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)
	15(a)	(62,320)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for intangible assets		(60,000)
		(60,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of share issues		586,310
Payment of share issue costs		(24,329)
Net cash provided by financing activities		561,981
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)	439,661

Notes to the financial statements

For year ending 30 June 2005

Note 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.

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 managerial positions in the Heavy Machinery Industry 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.

Notes to the financial statements continued

Note 1: Summary of significant accounting policies continued

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.

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.

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:

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

Notes to the financial statements continued

Note 1: Summary of significant accounting policies continued

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).

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.

Notes to the financial statements continued

2005
\$

Note 2: Revenue from ordinary activities

OPERATING ACTIVITIES:

- margin income	63
- commissions	52
- other revenue	83
Total revenue from operating activities	198

NON-OPERATING ACTIVITIES:

- interest received	454
Total revenue from non-operating activities	454
Total revenues from ordinary activities	652

Note 3: Expenses

BORROWING EXPENSES:

- interest paid	126
-----------------	-----

Note 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)	(19,937)

Note 5: Cash assets

Cash at bank and on hand	439,661
--------------------------	---------

Notes to the financial statements continued

	2005 \$
--	------------

Note 6: Receivables

Trade receivables	13,022
	13,022

Note 8: Intangible assets

Franchise Fee

At cost	60,000.00
Less: accumulated amortisation	-
	60,000.00

Note 9: Defferred tax benefit

Future income tax benefit

Tax losses - revenue	19,937
----------------------	--------

Note 10: Payables

Trade Creditors	17,158
Other creditors & accruals	-
	17,158

Note 13: Contributed equity

586,310 Ordinary shares fully paid of \$1 each	586,310
Less preliminary expenses	(24,329)
	561,981

Note 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	(46,520)

Notes to the financial statements continued

2005

\$

Note 15: Statement of cashflows

(A) RECONCILIATION OF CASH

Cash at bank and on hand	439,661
	439,661

(B) RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES

AFTER TAX TO NET CASH PROVIDED BY/(USED IN)

OPERATING ACTIVITIES

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 -

Note 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	2,800
	4,600

Notes to the financial statements continued

Note 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
Joseph Zurek

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

The Company has entered into an agreement with the Mitbro Trust to lease the property at shop 2, 119 High 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.

Notes to the financial statements continued

2005

¢

Note 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.

-

Note 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

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.

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.

Notes to the financial statements continued

Note 20: Subsequent events

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

Note 21: Contingent liabilities

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

Note 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.

Note 23: Registered office/principal place of business

The registered office and principal place of business is: 1 Shakespere St., HEATHCOTE VIC 3523

Note : From 26th August 2005 the principal place of business is Shop 2, 119 High St., HEATHCOTE

Notes to the financial statements continued

Note 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.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.


Interest rate risk

			Fixed interest rate maturing in									
Financial instrument	Floating interest Rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 %	2004 %
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

Directors' declaration

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



INDEPENDENT AUDIT REPORT

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

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

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

BSX report

Additional Information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 30th June 2005.

A. Corporate governance statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board is currently working towards adopting policies and procedures that will govern our Company into the future. We believe that building policy framework will assist clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

B. Substantial shareholders – ten largest shareholders

Ordinary shares	Number of ord shares
MR RICHARD WATSON	20,000
COMPTON HEIGHTS PTY LTD <SUPER FUND A/C>	10,000
MR RONALD JAMES LAUGHTON & MR RONALD JAMES LAUGHTON <JASPER HILL VINEYARD PTY LTD SUPER FUND>	10,000
MR FREDERICK JAMES GRANTER & MRS HELENA FERRIER GRANTER <GRANTER FAMILY TRUST>	10,000
MRS HELENA FERRIER GRANTER	10,000
MR FREDERICK JAMES GRANTER	10,000
MRS HAZEL EASTLAKE	10,000
HEIGHT INSURANCE PTY LTD <HEIGHT INSURANCE SUPER FUND>	10,000
MR COLIN THOMAS STEPHENS	10,000
MR DAVID GEOFFREY STEPHENS	10,000
MR ROBERT JOHN DOWNING & MRS JOY DOWNING <DOWNING ESTATE SUPER A/C>	10,000
MR CYRIL JAMES DUFF & MRS JANICE HELENE DUFF	10,000
CONNALLY'S REAL ESTATE & STOCK AGENCY PTY LTD	10,000
J M & D BARNES PTY LTD <D W BARNES SUPER FUND A/C>	10,000
BMS RETAIL GROUP PTY LTD	10,000
MRS DEANHNA CULSHAW & MR DAVID CULSHAW	10,000
MR RAY INGLEBY	10,000
MS ELIZABETH KATE SECOMB	10,000
DEREK VINER PTY LTD	10,000
THE GORDON SLOAN SUPER FUND	10,000

BSX report continued

C. Voting rights

Each shareholder has one vote.

D. Distribution of shareholders

The number of shareholders, by size of holding, is:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	197	106,810
1,001 - 5,000	75	222,800
5,001 - 10,000	24	232,000
10,001 - 100,000	1	20,000
100,001 and over		
Total	297	581,610

There are no shareholders holding less than a marketable parcel of shares.

E. Monitoring of the Board's performance and communication to shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Director's is reviewed annually by the chairperson. Director's whose performance is unsatisfactory are asked to retire.

The Board and Director's aims to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

The Board established an audit committee on the 23rd September 2005.

F. Address and telephone number of the office which securities register is kept:

Bendigo Bank Limited
Share Registry Office
Fountain Court

BENDIGO 3552
Telephone: 03 54339339

