

# Annual Report

30<sup>th</sup> June 2005



Heyfield & District  
**Community Financial  
Services Limited**

ABN 96 094 851 949

### **Vision Statement**

Our vision is to promote the importance of community owned banking to the highest degree for our customers and deliver the benefits to the community and shareholders.

### **Mission Statement**

To develop our franchise to realize our community's potential.

### **Statement of Values**

We value our staff and will ensure they have the opportunity to develop to their full potential

We value our community, and through philosophical relevance, will work with them to develop and improve the district.

We value our shareholders and will ensure their trust in us is rewarded.

We value accountability, so will deliver a transparent business on which to build.

We value access for our customers, and through our strong partnership with Bendigo Bank, will ensure a banking presence remains and expands in Heyfield and district.

We value our relationship with Bendigo Bank, and together will work towards achieving our goals.

# Chairman's Report

I am pleased to be able to present this Report to our shareholders after what has been a most successful year for the Heyfield & District Community Bank.

I once again invite all our shareholders to attend our 5th Annual General Meeting which is to be held on Thursday 24th November 2005 at the Heyfield Wetlands Centre at 7:30pm.

The concept of Community Banking has continued to expand and it has now sparked interest from around the world with other banks and communities keen to replicate it.

There are now 162 Community Banks around Australia with more than 300,000 customers generating 6.5 billion dollars in banking business.

In this our 5th year, we anticipate finally eliminating our accumulated losses from the first two years of trading. This will enable us to get on with the job of contributing back into the community and at the same time also providing some return to you, the shareholders.

This year has seen our company being listed on the Bendigo Stock Exchange. This will provide transparency of trading in our shares and at the same time, eliminate a risk of a conflict of interest for our Directors and staff.

Earlier this year we were given the honour of hosting the Regional Conference for Victoria, Riverina and South Australia. Over 180 delegates attended and it gave us an opportunity to promote Heyfield as a business and tourist destination.

The Community Bank is all about service to our customers. I would like to congratulate our staff, Mandy Hodge, Kerry Anderson, Jane McInnes and Tina McGill for the fine efforts over the past 12 months.

Although she has only been with us a short while our new Manager, Clare Adams has settled in very quickly. We are very grateful for the support provided by Russell Carrick and his staff at the Bendigo Bank Regional Office in Traralgon during the changeover.

I finally wish to thank my fellow Board Members for their ongoing contribution to and support of our company.

We look forward to seeing you all at the Annual General Meeting.

Alan Broadbent  
Chairman

# Manager's Report

During our fourth year of trading we have reached a total of 2,639 accounts with total banking business reaching approximately \$40,000,000.00. We are also continuing to provide other financial services to customers such as financial planning and insurance.

Heyfield has been accepted into a pilot scheme to offer a twelve month traineeship for a junior staff member. We hope to be able to commence the scheme in early 2006.

I would like to take the opportunity to acknowledge the contribution of the staff, Mandy Hodge, Kerry Anderson, Tina McGill and Jane McInnes. Their commitment to our branch and the service that they have offered our customers has been outstanding.

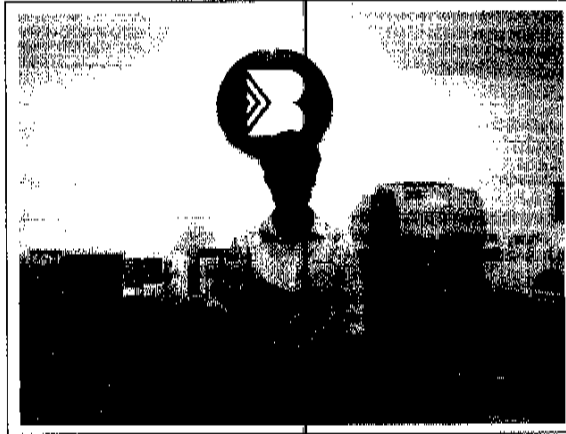
I would also like to acknowledge the support provided to me by the Regional Office of the Bendigo Bank in Traralgon.

Last but not least, I would like to thank the Board of Directors for their ongoing support for both myself and the staff.

Peter Burton  
Manager



Jane McInnes



Mandy Hodge



Tina McGill



Kerry Anderson

**Heyfield and District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**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 are:

Mr Alan Broadbent  
Chairman  
Occupation: Motel proprietor/farmer

Mr Michael Gahan  
Treasurer  
Occupation: Accountant

Mr David Graham  
Director  
Occupation: Business proprietor

Mr Keith Borthwick  
Secretary  
Occupation: Solicitor

Mr Dean Stoddart  
Director  
Occupation: Self-employed electrical contractor

Mrs Jenny Appleyard (resigned 13 September 2004)  
Director  
Occupation: Administrator

Mr Keith Vardy  
Director  
Occupation: Farmer

Mrs Helen Hoppner  
Director  
Occupation: Publican

Mr Eric Underwood  
Director  
Occupation: Manager

Mr Martin Swanson (appointed 24 February 2005)  
Director  
Occupation: Business Proprietor

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

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

**Principal activities**

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

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

**Operating Results**

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was \$73,967 (2004: \$32,795).

**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.

**Significant events after the balance date**

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future years.

**Likely Developments**

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

**Directors' Benefits**

Other than detailed below 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.

Tyrrell Partners Certified Practising Accountants of which Michael Gahan is a director received a fee of \$7,800 (2004: \$7,800) for providing accounting services to Heyfield & District Community Financial Services Ltd throughout the year.

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.

**Executive Remuneration : NIL**

**Heyfield and District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Directors' Report**

**Corporate Governance**

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

- (a) The establishment of an audit committee. Members of the audit committee are David Graham, Alan Broadbent and Keith Borthwick.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

**Directors Meetings**

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

**Number of Meetings Held:** 21

**Number of Meetings Attended:**

Mr Alan Broadbent	21
Mr Michael Gahan	20
Mr David Graham	13
Mr Keith Borthwick	20
Mrs Jenny Appleyard (resigned 13 September 2004)	1
Mr Dean Stoddart	16
Mrs Helen Hoppner	14
Mr Keith Vardy	20
Mr Eric Underwood	12
Mr Martin Swanson (appointed 24 February 2005)	7

**Company Secretary**

Keith Borthwick has been the company secretary of Heyfield & Districts Community Financial Services Ltd for four years. Keith Borthwick has been a legal practitioner for 29 years.

**Auditor Independence Declaration**

The directors received the following declaration from the auditor of the company:

**Richmond Sinnott & Delahunty**  
Chartered Accountants



10 Forest Street  
P.O. Box 30  
Bendigo, 3552  
OX 55027  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
Email: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)  
ABN 60 616 244 309

**Auditor's Independence Declaration**

In relation to our audit of the financial report of Heyfield & District Community Financial Services Ltd for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott**  
Partner  
Richmond Sinnott & Delahunty  
27 October 2005

Signed in accordance with a resolution of the Board of Directors at Heyfield, Victoria on 24 October 2005.

Alan Broadbent, Chairman

Michael Gahan, Director



**Heyfield and District Community Financial Services Limited**

**ABN 96 094 854 949**

**Statement of Financial Performance**

**For the year ended 30 June 2005**

	<u>Notes</u>	<b>2005</b> <b>\$</b>	<b>2004</b> <b>\$</b>
Revenues from ordinary activities	2	408,974	333,129
Salaries & employee benefits expense		(166,552)	(150,884)
Depreciation and amortisation expense	3	(34,630)	(34,755)
Other expenses from ordinary activities		<u>(113,993)</u>	<u>(114,695)</u>
<b>Profit from ordinary activities before income tax expense</b>		93,799	32,795
Income tax expense relating to ordinary activities	4	<u>19,832</u>	<u>-</u>
<b>Profit from ordinary activities after income tax expense</b>		<u>73,967</u>	<u>32,795</u>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<u>73,967</u>	<u>32,795</u>

The accompanying notes form part of these financial statements

**Heyfield and District Community Financial Services Limited**  
**ABN 96 094 884 949**  
**Statement of Financial Position**  
**As at 30 June 2005**

	<u>Notes</u>	<b>2005</b> <b>\$</b>	<b>2004</b> <b>\$</b>
<b>Current Assets</b>			
Cash assets	6	231,705	116,877
Receivables	7	35,115	30,722
<b>Total Current Assets</b>		<u>266,820</u>	<u>147,599</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	36,206	146,004
Intangible assets	9	19,726	42,028
<b>Total Non-Current Assets</b>		<u>55,932</u>	<u>188,032</u>
<b>Total Assets</b>		<u>422,752</u>	<u>335,631</u>
<b>Current Liabilities</b>			
Payables	10	17,979	11,842
Current tax liability	4	19,832	
Provisions	11	9,746	22,561
<b>Total Current Liabilities</b>		<u>47,557</u>	<u>34,403</u>
<b>Total Liabilities</b>		<u>47,557</u>	<u>34,403</u>
<b>Net Assets</b>		<u>375,195</u>	<u>301,228</u>
<b>Equity</b>			
Contributed equity	12	450,000	450,000
Accumulated losses	13	(74,805)	(148,772)
<b>Total Equity</b>		<u>375,195</u>	<u>301,228</u>

The accompanying notes form part of these financial statements

**Heyfield and District Community Financial Services Limited**  
**ABN 98 094 854 949**  
**Statement of Cash Flows**  
**For the year ended 30 June 2005**

	<u>Notes</u>	<b>2005</b> <b>\$</b>	<b>2004</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		435,080	355,268
Cash payments in the course of operations		(321,974)	(286,921)
Interest received		4,252	1,613
<b>Net cash flows from/(used in) operating activities</b>	<b>14b</b>	<b>117,358</b>	<b>69,960</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(2,530)	-
<b>Net cash flows used in investing activities</b>		<b>(2,530)</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>114,828</b>	<b>69,960</b>
Add opening cash brought forward		16,877	46,917
<b>Closing cash carried forward</b>	<b>14a</b>	<b>231,705</b>	<b>116,877</b>

The accompanying notes form part of these financial statements

## 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.

The accounting policies are consistent with the previous 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.

## 1. Summary of significant accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment are brought to account at cost or at independent directors' valuation, less, where applicable, any accumulated depreciation or amortisation. Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated over their useful life to the entity commencing from the date of acquisition/revaluation.

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	10%
Buildings	2.5%
Furniture and fittings	10%

### Employee Benefits

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

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

### Intangibles

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

### Cash

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

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

### Comparative Figures

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

### Revenue

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

**1. Summary of significant accounting policies (continued)**

**Receivables and Payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognized and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**Interest Bearing Liabilities**

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

**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.

**2. Revenue from ordinary activities**

	2005 \$	2004 \$
Operating activities		
- services commissions	404,722	331,516
Total revenue from operating activities	404,722	331,516
Non-operating activities:		
- interest received	4,252	1,613
Total revenue from non-operating activities	4,252	1,613
Total revenues from ordinary activities	408,974	333,129

**3. Expenses**

Depreciation of non-current assets:		
- plant and equipment	10,949	11,067
- leasehold improvements	1,379	1,386
Amortisation of non-current assets:		
- intangibles	22,302	22,302

**Heyfield and District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2005**

	2005	2004
	\$	\$
<b>4. Income Tax Expense</b>		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit from ordinary activities at 30%	28,140	9,839
Add tax effect of:		
- Non-deductible expenses	2,846	12,259
- Prior year tax losses not previously brought to account	(11,154)	(22,098)
Income tax expense on operating profit	<u>19,832</u>	<u>-</u>
<b>Tax liabilities</b>		
Current tax payable	<u>19,832</u>	<u>-</u>
<b>Income tax losses</b>		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:		
	<u>-</u>	<u>11,154</u>
<b>5. Auditors' Remuneration</b>		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the company	<u>3,650</u>	<u>3,650</u>
	<u>3,650</u>	<u>3,650</u>
<b>6. Cash Assets</b>		
Cash at bank and on hand	32,178	66,933
Deposits at call	<u>199,527</u>	<u>49,944</u>
	<u>231,705</u>	<u>116,877</u>
<b>7. Receivables</b>		
Trade debtors	<u>35,115</u>	<u>30,722</u>
<b>8. Property, Plant and Equipment</b>		
<i>Land</i>		
Freehold land at cost	<u>17,500</u>	<u>17,500</u>
<i>Buildings &amp; Improvements</i>		
At cost	55,145	55,145
Less accumulated depreciation	<u>(5,517)</u>	<u>(4,138)</u>
	<u>49,628</u>	<u>51,007</u>

	2005 \$	2004 \$
<b>8. Property, Plant and Equipment (continued)</b>		
<i>Plant and equipment</i>		
At cost	4,944	2,414
Less accumulated depreciation	(800)	(654)
	<u>4,144</u>	<u>1,760</u>
<i>Furniture &amp; Fittings</i>		
At cost	108,036	108,036
Less accumulated depreciation	(43,102)	(32,299)
	<u>64,934</u>	<u>75,737</u>
<b>Total written down amount</b>	<u><b>36,206</b></u>	<u><b>146,004</b></u>
<b>Movements in carrying amounts</b>		
<i>Building</i>		
Carrying amount at beginning of year	51,007	52,393
Additions	-	-
Disposals	-	-
Depreciation expense	(1,379)	(1,386)
Carrying amount at end of year	<u>49,628</u>	<u>51,007</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	1,760	1,993
Additions	2,530	-
Disposals	-	-
Depreciation expense	(146)	(233)
Carrying amount at end of year	<u>4,144</u>	<u>1,760</u>
<i>Furniture &amp; Fittings</i>		
Carrying amount at beginning of year	75,737	86,571
Additions	-	-
Disposals	-	-
Less depreciation expense	(10,803)	(10,834)
Carrying amount at end of year	<u>64,934</u>	<u>75,737</u>
<b>9. Intangible Assets</b>		
<i>Franchise Fee</i>		
At cost	50,000	50,000
Less accumulated amortisation	(40,932)	(30,932)
	<u>9,068</u>	<u>19,068</u>
<i>Preliminary Expenses</i>		
At cost	61,510	61,510
Less accumulated amortisation	(50,852)	(38,550)
	<u>10,658</u>	<u>22,960</u>
	<u><b>19,726</b></u>	<u><b>42,028</b></u>



**Heyfield and District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2005**

	2005	2004
	\$	\$
<b>10. Payables</b>		
Trade creditors	15,279	9,142
Accrued audit fee	<u>2,700</u>	<u>2,700</u>
	<u>17,979</u>	<u>11,842</u>
<b>11. Provisions</b>		
Employee benefits	<u>9,746</u>	<u>22,561</u>
Number of employees at year end	<u>5</u>	<u>5</u>
<b>12. Contributed Equity</b>		
Ordinary shares fully paid of \$1 each	<u>450,000</u>	<u>450,000</u>
<b>13. Accumulated Losses</b>		
Balance at the beginning of the financial year	(148,772)	(181,567)
Net profit from ordinary activities after income tax	<u>73,967</u>	<u>32,795</u>
Balance at the end of the financial year	<u>(74,805)</u>	<u>(148,772)</u>
<b>14. Statement of Cashflows</b>		
<i>(a) Reconciliation of cash</i>		
Cash assets	32,178	66,933
Deposit at call	<u>199,527</u>	<u>49,944</u>
	<u>231,705</u>	<u>116,877</u>
<i>(b) Reconciliation of profit from ordinary activities after tax to net cash from operating activities</i>		
Profit from ordinary activities after income tax	73,967	32,795
Non cash items		
- depreciation	12,328	12,453
- amortisation	22,302	22,302
Changes in assets and liabilities		
- (increase) decrease in receivables	(4,393)	(4,689)
- increase (decrease) in payables	6,137	(1,464)
- increase (decrease) in provisions	(12,815)	8,563
- increase (decrease) in income tax payable	19,832	-
Net cashflows provided by operating activities	<u>117,358</u>	<u>69,960</u>

# 15. Director and Related Party Disclosures

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

Mr Alan Broadbent  
Mr Michael Gahan  
Mr David Graham  
Mr Keith Borthwick  
Mrs Jenny Appleyard (resigned 13 September 2004)  
Mr Dean Stoddart  
Mrs Helen Hoppner  
Mr Keith Vardy  
Mr Eric Underwood  
Mr Martin Swanson (appointed 24 February 2005)

Apart from the following, no related party transaction occurred during the year.

Tyrrell Partners Certified Practising Accountants of which Michael Gahan is a director received a fee of \$7,800 (2004: \$7,800) for providing accounting services to Heyfield & District Community Financial Services Ltd throughout the year.

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

Directors shareholdings	2005	2004
Mr Alan Broadbent	10,000	10,000
Mr Michael Gahan	4,000	4,000
Mr David Graham	5,000	5,000
Mr Keith Borthwick	1,000	1,000
Mr Martin Swanson (appointed 24 February 2005)	5,000	5,000
Mrs Jenny Appleyard (resigned 13 September 2004)	10,000	10,000
Mr Dean Stoddart	1,000	1,000
Mrs Helen Hoppner	-	-
Mr Keith Vardy	1,000	1,000
Mr Eric Underwood	10,000	10,000

There was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

Executive Remuneration : NIL

**16. Subsequent Events**

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

**17. Contingent Liabilities**

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

**18. 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 Heyfield and district, Victoria.

**19. Registered office/Principal place of business**

The registered office and principal place of business is:  
54-56 Temple Street  
Heyfield Victoria 3858

**20. International Financial Reporting Standards**

The company has commenced transitioning its accounting policies and financial reporting from current Australian Generally Accepted Accounting Principles (AGAAP) to Australian equivalents of International Financial Reporting Standards (IFRS). In consultation with our external auditor, Richmond Sinnott & Delahunty, the company has allocated resources to assess the impact of transition to IFRS.

Based on current requirements, the financial statements of the company prepared at 30 June 2006 will need to comply with IFRS. Comparative figures for the year ended 30 June 2005, within the 30 June 2006 financial statements, will also need to comply with IFRS.

Based on the assessment completed to date the key potential implications of the conversion to IFRS on the company are:

- a) financial instruments will need to be classified under one of five categories, which will in turn determine the accounting treatment. The classifications are loans and receivables measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value, available for sale - measured at fair value and non trading liabilities - measured at amortised cost. Based on current assets and liabilities held this is not expected to have an impact on the financial statements of the company.
- b) Income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities.

20. International Financial Reporting Standards (continued)

For the company this will result in the recognition of a future income tax benefit under IFRS as follows:

	IFRS	Transition Impact	AGAAP
	\$	\$	\$
<u>As at 30 June 2004</u>			
Opening retained earnings	(137,618)	11,154	(148,772)
Future income tax benefit (asset)	11,154	11,154	-
<u>As at 30 June 2005</u>			
Future income tax benefit (asset)	-	-	-
<u>Year ended 30 June 2005</u>			
Income tax expense	30,986	11,154	19,832

No other adjustments to deferred tax balances would currently be expected on adoption of AASB 112 *Income Taxes*.

- c) Intangible assets with an indefinite useful life will be tested annually for impairment and will not be amortised. This is not expected to have an impact on the financial statements of the company based on current intangible assets held.
- d) Changes in accounting policies will be recognised by restating prior year figures, rather than making current year adjustments and the impact will be disclosed in the notes to the financial statements. This is not expected to have an impact on the financial statements of the company.

**Heyfield and District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2005**

## 21. 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 year end.

### Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.  
There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

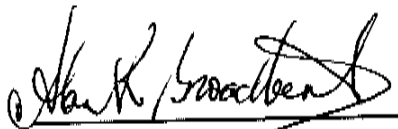
### Interest Rate Risk

Financial Instrument	Floating Interest Rate		Fixed Interest Rate maturing in						Non Interest Bearing		Weighted average Effective Interest rate	
	2005	2004	1 year or less		Over 1 to 5 years		Over 5 years		2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial</b>												
<b>Assets</b>												
Cash assets	32,178	66,933	-	-	-	-	-	-	-	-	0.05	0.05
Term deposit	-	-	199,527	49,944	-	-	-	-	-	-	5.22	4.5
Receivables	-	-	-	-	-	-	-	-	35,115	30,722	N/A	N/A
<b>Financial</b>												
<b>Liabilities</b>												
Payables	-	-	-	-	-	-	-	-	17,979	11,842	N/A	N/A


In accordance with a resolution of the directors of Heyfield & District Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2005.



Alan Broadbent, Chairman



Michael Gahan, Director

Signed on 27 October 2005

# Richmond Sinnott & Delahunty

Chartered Accountants

## INDEPENDENT AUDIT REPORT

### TO THE MEMBERS OF HEYFIELD & DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED



10 Forest Street  
P.O. Box 30  
Bendigo, 3552  
DX 55027  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
Email: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)  
ABN 60 616 244 309

#### SCOPE

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Heyfield & District Community Financial Services Limited, for the year ended 30 June 2005.

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

#### Audit approach

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

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

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

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

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

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

**INDEPENDENCE**

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

**AUDIT OPINION**

In our opinion, the financial report of Heyfield & District Community 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 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants



**W. J. SINNOTT**

Partner  
Bendigo

Date: 27 October 2005







## Heyfield & District **Community Bank** Branch

Heyfield & District Community Financial Services Limited ABN 96 094 854 940

54-56 Temple Street, Heyfield 3858  
Telephone: (03) 5148 2312