

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

Your Directors submit their report of the company for the half year ended 31 December 2005.

Directors

The names of directors who held office during the half year and until the date of this report are:

Mr Alan Broadbent

Mr David Graham

Mrs Helen Hoppner

Mr Dean Stoddart

Mr Keith Vardy

Mr Eric Underwood

Mr Michael Gahan

Mr Keith Borthwick

Mr Martin Swanson

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

Principal activities

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

Review and results of operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period was \$19,673 (2004: \$13,598).

Matters subsequent to the end of the reporting period

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

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

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants



10 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsd advisors.com.au

Auditor's Independence Declaration

In relation to our review of the financial report of Heyfield and District Community Financial Services Ltd for the half year ended 31 December 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
Bendigo
4 April 2006

Signed in accordance with a resolution of the Directors at Heyfield, Victoria
on 4 April 2006.

Alan Broadbent, Chairman

Heyfield and District Community Financial Services Ltd
ABN 96 094 854 949
Condensed Income Statement
for the half-year ended 31 December 2005

	2005	2004
	\$	\$
Revenue from ordinary activities	197,063	198,080
Other revenue	5,435	1,224
Salaries and employee benefit expense	(88,142)	(107,242)
Depreciation and amortisation expense	(17,757)	(17,311)
Other expenses from ordinary activities	<u>(65,740)</u>	<u>(53,183)</u>
Profit from ordinary activities before income tax expense	30,859	21,568
Income tax expense relating to ordinary activities	<u>11,186</u>	<u>7,970</u>
Net profit attributable to members of the entity	<u>19,673</u>	<u>13,598</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u><u>19,673</u></u>	<u><u>13,598</u></u>
Earnings per share (cents per share)		
- basic for profit for the half year	4.37	3.02
- diluted for profit for the half year	4.37	3.02
- dividends paid per share	5 -	-

Heyfield and District Community Financial Services Limited
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Condensed Balance Sheet
as at 31 December 2005

	31-Dec 2005 \$	30-Jun 2005 \$
Current Assets		
Cash assets	283,616	231,705
Receivables	37,426	35,115
Total Current Assets	<u>321,042</u>	<u>266,820</u>
Non-Current Assets		
Property, plant and equipment	135,472	136,206
Intangibles	8,483	19,726
Total Non-Current Assets	<u>143,955</u>	<u>155,932</u>
Total Assets	<u>464,997</u>	<u>422,752</u>
Current Liabilities		
Payables	26,580	17,979
Provision for income tax	31,018	19,832
Provisions	12,531	9,746
Total Current Liabilities	<u>70,129</u>	<u>47,557</u>
Total Liabilities	<u>70,129</u>	<u>47,557</u>
Net Assets	<u>394,868</u>	<u>375,195</u>
Equity		
Issued capital	450,000	450,000
Accumulated losses	<u>(55,132)</u>	<u>(74,805)</u>
Total Equity	<u>394,868</u>	<u>375,195</u>

Heyfield and District Community Financial Services Limited
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Condensed Cash Flow Statement
for the half-year ended 31 December 2005

	2005	2004
	\$	\$
Cash Flows From Operating Activities		
Cash receipts in the course of operations	212,018	215,219
Cash payments in the course of operations	(159,762)	(182,743)
Interest received	5,435	1,224
	<u>57,691</u>	<u>33,700</u>
Net cash flows from (used in) operating activities	57,691	33,700
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(5,780)	-
	<u>(5,780)</u>	<u>-</u>
Net cash flows from (used in) investing activities	(5,780)	-
Net increase (decrease) in cash held	51,911	33,700
Opening cash brought forward	231,705	116,877
	<u>283,616</u>	<u>150,577</u>
Closing cash carried forward	283,616	150,577

Heyfield and District Community Financial Services Limited
ABN 96 094 854 949
Condensed Statement of Changes in Equity
for the half-year ended 31 December 2005

	Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2004	450,000	(137,618)	312,382
Net profit/(loss) for the period	-	13,598	13,598
Issue of share capital	-	-	-
Equity dividends	-	-	-
As at 31 December 2004	<u>450,000</u>	<u>(124,020)</u>	<u>325,980</u>

	Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2005	450,000	(74,805)	375,195
Net profit/(loss) for the period	-	19,673	19,673
Issue of share capital	-	-	-
Equity dividends	-	-	-
As at 31 December 2005	<u>450,000</u>	<u>(55,132)</u>	<u>394,868</u>

Heyfield and District Community Financial Services Limited

ABN 96 094 854 949

**Notes to the Financial Statements
for the half-year ended 31 December 2005**

1. Basis of preparation of the Half-Year Financial Report

(a) Basis of accounting

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of Heyfield and District Community Financial Services Ltd as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP'). It is also recommended that this half year financial report be considered together with any public announcements made by Heyfield and District Community Financial Services Ltd during the half year ended 31 December 2005 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

For the purpose of preparing the half year financial statements the half year has been treated as a discrete reporting period.

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half year financial report based on AIFRS and comparatives for the half year ended 31 December 2004 and full year ended 30 June 2005 have been restated accordingly. Other than detailed at 1(c) below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half year ended 31 December 2004 and full year ended 30 June 2005,

to the balances reported in the 31 December 2004 half year report and 30 June 2005 full year financial report prepared under AGAAP are detailed in note 1(d) below.

(c) Summary of significant accounting policies

Other than detailed below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

The following accounting policies are different to those used in the 30 June 2005 financial report due to the first time adoption of AIFRS.

Heyfield and District Community Financial Services Limited

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**Notes to the Financial Statements
for the half-year ended 31 December 2005**

1. Basis of preparation of the Half-Year Financial Report (continued)

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of Asset	Depreciation Rate
Plant and equipment	10%
Buildings	2.5%
Furniture and fittings	10%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Heyfield and District Community Financial Services Limited

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**Notes to the Financial Statements
for the half-year ended 31 December 2005**

1. Basis of preparation of the Half-Year Financial Report (continued)

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(d) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under AGAAP are illustrated below:

Reconciliation of total equity as presented under AGAAP to that under AIFRS

	30-Jun 2005 \$	31-Dec 2004 \$	1-Jul 2004 \$
Total equity under AGAAP	375,195	322,796	301,228
Recognition of deferred income tax asset (#)	-	3,184	11,154
Total equity under AIFRS	<u>375,195</u>	<u>325,980</u>	<u>312,382</u>

The above adjustment to equity will be reflected in retained earnings.

A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised.

Heyfield and District Community Financial Services Limited
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Notes to the Financial Statements
for the half-year ended 31 December 2005

1. Basis of preparation of the Half-Year Financial Report (continued)

Reconciliation of profit after tax presented under AGAAP to that under AIFRS

	Year Ended 30-Jun 2005 \$	Half-year Ended 31-Dec 2004 \$
Profit / (loss) after tax as previously reported (AGAAP)	73,967	21,568
Adjustment to income tax expense (#)	<u>(11,154)</u>	<u>(7,970)</u>
Profit / (loss) after tax under AIFRS	<u>62,813</u>	<u>13,598</u>

A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised. The above reflects the impact on tax expense due to the recognition of this asset.

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

2. Events subsequent to Reporting Date

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

3. Contingent Assets and Liabilities

Since the last annual reporting date there has been no material change of any contingent assets or contingent liabilities.

4. 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.

5. Dividends Paid	2005	2004
	\$	\$
<i>Dividends paid during the half year</i>		
Final franked dividend for the year ended 30 June 2005	-	-
<i>Dividends proposed and not recognised as a liability</i>		
Interim franked dividend for the year ended 30 June 2006 of 10 cents	45,000	-

Heyfield and District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
for the half-year ended 31 December 2005

6. Director and Related Party Disclosures

The names of directors who have held office during the half year ended 31 December 2005 are:

Mr Alan Broadbent
Mr Michael Gahan
Mr David Graham
Mr Keith Borthwick
Mr Martin Swanson
Mr Dean Stoddart
Mrs Helen Hoppner
Mr Keith Vardy
Mr Eric Underwood

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 \$3,900 (2004: \$3,900) for providing accounting services to Heyfield & District Community Financial Services Ltd for the half year ended 31 December 2005.

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

Directors shareholdings	<u>2005</u>	<u>2004</u>
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	5,000	5,000
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 period. Each share held has a paid up value of \$1 and is fully paid.

Heyfield and District Community Financial Services Limited
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Directors Declaration
for the half-year ended 31 December 2005

In accordance with a resolution of the directors of Heyfield and District Community Financial Services Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company:
 - (i) give a true and fair view of the company's financial position as at 31 December 2005 and its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134, "Interim Financial Reporting" and the 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.

On behalf of the Board

Alan Broadbent, Chairman

Signed in Heyfield on this 4th day of April 2006