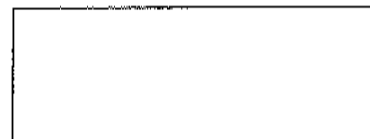


**Australian Securities &
Investments Commission**

Form 388

Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Related forms:

Form 5137 Appointment of scheme auditor

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company details

Company name

Heysfield & District Community Financial Services Ltd

ACN/ABN

094 854 949

Lodgement details

Who should ASIC contact if there is a query about this form?

Name

BRETT PUND

ASIC registered agent number (if applicable)

576

Telephone number

0351471525

Postal address

PO Box 251

MAFFRA VIC 3860

Please provide an estimate of the time taken to complete this form.

hrs mins

1 Reason for lodgement of statement and reports

Tick appropriate box

- ☒ A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- ☐ A registered scheme (Where a new auditor has been appointed to a registered scheme, Form 5137 Appointment of scheme auditor must be lodged) (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 and ends

Financial year begins

01/07/05
(D) (D) (M) (M) (Y) (Y)

to

Financial year ends

30/06/06
(D) (D) (M) (M) (Y) (Y)

Date of annual general meeting (if applicable)

26/10/06
(D) (D) (M) (M) (Y) (Y)

2 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?

3 Auditor report

Were the financial statements audited?

☒ Yes

☐ No

If no, is there a class order exemption current for audit relief?

☐ Yes

☐ No

If yes, does the auditor's report (s308) for the financial year contain a statement of:

Reasons for the auditor not being satisfied as to the matters referred to in s307?

☐ Yes

☒ No

Details of the deficiency, failure or shortcoming concerning any matter referred to in s307?

☐ Yes

☒ No

4 Details of current auditor

Where a new auditor has been appointed to a registered scheme, Form 5137 Appointment of scheme auditor must be lodged

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

RICHMOND, SINNOTT + DELAHUNTY

ACN/ABN

or

Firm name (if applicable)

4 Continued... Details of current auditor

Office, unit, level

Street number and Street name

10 FOREST ST

Suburb/City

BENDIGO

State/Territory

VIC

Postcode

3552

Country (if not Australia)

Date of appointment

01/12/01

[D][D][M][M][Y][Y]

5 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

Signature

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

Name

NICKI BORTHWICK

Signature



Capacity

☐ Director☒ Company secretary

Date signed

26/09/06

[D][D][M][M][Y][Y]

LodgementSend completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For help or more information

Telephone 03 5177 3988

Email info.enquiries@asic.gov.auWeb www.asic.gov.au

Richmond Sinnott & Delahunty
Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty

19 September 2006

The Directors
Heyfield & District Community Financial Services Ltd
54-56 Temple Street
Heyfield Victoria, 3858

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Heyfield & District Community Financial Services Limited for the year ended 30 June 2006, 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

Richmond Sinnott & Delahunty

Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Phillip P Delahunty

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HEYFIELD & DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Heyfield & District Community Financial Services Limited, for the year ended 30 June 2006.

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 2006 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 & Delahanty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 19 September 2006

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 2006.

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 (resigned 30 March 2006)
Director
Occupation: Self-employed electrical contractor

Mrs Helen Hoppner (resigned 13 June 2006)
Director
Occupation: Publican

Mr Keith Vardy
Director
Occupation: Farmer

Mr Martin Swanson
Director
Occupation: Business Proprietor

Mr Eric Underwood
Director
Occupation: Manager

Mr David Wadey (appointed 14 June 2006)
Director
Occupation: Real Estate Agent

Mrs Michele Ripper (appointed 30 March 2006)
Director
Occupation: Dance Instructor

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 \$14,997 (2005: \$62,813). The reduction in profit from 2005 is attributable to additional donations and sponsorship payments.

Dividends	<u>Year Ended 30 June 2006</u>	
	Cents	\$
Dividends paid in the year	10	45,001

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

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 \$3,900 (2005: \$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.

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

Directors Meetings

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

Number of Meetings Held: 23

Number of Meetings Attended:

Mr Alan Broadbent	23
Mr Michael Gahan	9
Mr David Graham	17
Mr Keith Borthwick	22
Mr Dean Stoddart (resigned 30 March 2006)	3
Mrs Helen Hoppner (resigned 13 June 2006)	12
Mr Keith Vardy	16
Mr Eric Underwood	12
Mr Martin Swanson	22
Mrs Michele Ripper (appointed 30 March 2006)	10
Mr David Wadey (appointed 14 June 2006)	0

Company Secretary

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

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 Martin Swanson;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Director meetings to discuss performance and strategic plans.

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

Auditor Independence Declaration

The directors received the following 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@rsdadvisors.com.au

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 2006, 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
19 September 2006

Signed in accordance with a resolution of the Board of Directors at Heyfield, Victoria on 19 September 2006.



Alan Broadbent, Chairman

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Income Statement****For the year ended 30 June 2006**

	<u>Notes</u>	2006 \$	2005 \$
Revenues from ordinary activities	2	429,441	408,974
Employee benefits expense	3	(173,387)	(166,552)
Depreciation and amortisation expense	3	(33,022)	(34,630)
Other expenses from ordinary activities		<u>(188,486)</u>	<u>(113,993)</u>
Profit before income tax expense		34,546	93,799
Income tax expense	4	<u>19,549</u>	<u>30,986</u>
Profit after income tax expense		<u>14,997</u>	<u>62,813</u>
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	3.33	13.96
- diluted for profit / (loss) for the year	21	3.33	13.96
- dividends paid per share	20	10.00	-

The accompanying notes form part of these financial statements

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Balance Sheet****As at 30 June 2006**

	<u>Notes</u>	2006 \$	2005 \$
Current Assets			
Cash assets	6	252,005	231,705
Prepayments		3,946	-
Receivables	7	41,542	35,115
Total Current Assets		<u>297,493</u>	<u>266,820</u>
Non-Current Assets			
Property, plant and equipment	8	128,903	136,206
Intangible assets	9	9,786	19,726
Total Non-Current Assets		<u>138,689</u>	<u>155,932</u>
Total Assets		<u>436,182</u>	<u>422,752</u>
Current Liabilities			
Payables	10	54,590	17,979
Current tax liability	4	19,549	19,832
Provisions	11	16,852	9,746
Total Current Liabilities		<u>90,991</u>	<u>47,557</u>
Total Liabilities		<u>90,991</u>	<u>47,557</u>
Net Assets		<u>345,191</u>	<u>375,195</u>
Equity			
Share capital	12	450,009	450,009
Accumulated losses	13	(104,818)	(74,814)
Total Equity		<u>345,191</u>	<u>375,195</u>

The accompanying notes form part of these financial statements

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Cash Flow Statement****For the year ended 30 June 2006**

	<u>Notes</u>	2006 \$	2005 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		442,969	435,080
Cash payments in the course of operations		(373,272)	(321,974)
Interest received		11,383	4,252
Net cash flows from/(used in) operating activities	14b	<u>81,080</u>	<u>117,358</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(5,779)	(2,530)
Purchase of intangible assets		(10,000)	-
Net cash flows used in investing activities		<u>(15,779)</u>	<u>(2,530)</u>
Cash Flows From Financing Activities			
Dividends paid		(45,001)	-
Net cash flows used in financing activities		<u>(45,001)</u>	<u>-</u>
Net increase/(decrease) in cash held		20,300	114,828
Add opening cash brought forward		231,705	116,877
Closing cash carried forward	14a	<u>252,005</u>	<u>231,705</u>

The accompanying notes form part of these financial statements

Heyfield and District Community Financial Services Limited
ABN 96 094 854 949
Statement of Changes in Equity
As at 30 June 2006

	2006	2005
	\$	\$
SHARE CAPITAL		
<i>Ordinary shares</i>		
Balance at start of year	450,009	450,009
Issue of share capital	-	-
Share issue costs	-	-
Balance at end of year	<u><u>450,009</u></u>	<u><u>450,009</u></u>
 RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Balance at start of year	(74,814)	(137,627)
Profit after income tax expense	14,997	62,813
Dividends paid	<u>(45,001)</u>	<u>-</u>
Balance at end of year	<u><u>(104,818)</u></u>	<u><u>(74,814)</u></u>

The accompanying notes form part of these financial statements

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006****1. Basis of preparation of the Financial Report****(a) Basis of accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) 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 financial report was authorised for issue by the directors on 19 September 2006.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

This is the first full year financial report based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. The financial report prepared at 30 June 2005 was based on Australian Accounting Standards applicable for periods commencing before 1 January 2005 ('AGAAP'). 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 and 30 June 2005; and
- AIFRS profit for the year ended 30 June 2005,

to the balances reported in the 30 June 2005 financial report prepared under AGAAP are detailed in note 1(d) below.

(c) Summary of significant amended 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. Also refer to note 1(e).

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

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.

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006****1. Basis of preparation of the Financial Report (continued)****Income tax (continued)**

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:

<i><u>Class of fixed assets</u></i>	<i><u>Depreciation rate (%)</u></i>
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.

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.

Heyfield and District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report (continued)

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 \$	1-Jul 2004 \$
Total equity under AGAAP	375,195	301,228
Recognition of deferred income tax asset (#)	-	11,154
Total equity under AIFRS	<u>375,195</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.

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

	Year Ended 30-Jun 2005 \$
Profit after tax as previously reported (AGAAP)	73,967
Adjustment to income tax expense (#)	(11,154)
Profit after tax under AIFRS	<u>62,813</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.

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006****1. Basis of preparation of the Financial Report (continued)****(e) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The below accounting policies are consistent with the previous year. Also refer to note 1(c).

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 balance sheet. Cash flows are included in the cash flow statement 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.

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 cash flow statement, 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).

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006****1. Basis of preparation of the Financial Report (continued)****Receivables and Payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised 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. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

2. Revenue from ordinary activities	2006	2005
	\$	\$
Operating activities		
- services commissions	414,850	404,722
Total revenue from operating activities	<u>414,850</u>	<u>404,722</u>
Non-operating activities:		
- interest received	11,383	4,252
- other revenue	3,208	-
Total revenue from non-operating activities	<u>14,591</u>	<u>4,252</u>
Total revenues from ordinary activities	<u><u>429,441</u></u>	<u><u>408,974</u></u>

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006****3. Expenses**

	2006	2005
	\$	\$
Employee benefits expense		
- wages and salaries	156,989	149,665
- superannuation costs	13,466	14,469
- workers' compensation costs	1,004	863
- other costs	1,928	1,555
	<u>173,387</u>	<u>166,552</u>
Depreciation of non-current assets:		
- plant and equipment	11,703	10,949
- leasehold improvements	1,379	1,379
Amortisation of non-current assets:		
- intangibles	19,940	22,302
	<u>33,022</u>	<u>34,630</u>

4. Income Tax Expense

The prima facie tax on profit before income tax
is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30%	10,364	28,140
Add tax effect of:		
- Non-deductible expenses	9,185	2,846
<i>Current income tax expense</i>	<u>19,549</u>	<u>30,986</u>
Income tax expense	<u>19,549</u>	<u>30,986</u>
Tax liabilities		
Current tax payable	<u>19,549</u>	<u>19,832</u>

5. Auditors' Remuneration

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>
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Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006**

	2006	2005
	\$	\$
6. Cash Assets		
Cash at bank and on hand	26,132	32,178
Deposits at call	225,873	199,527
	<u>252,005</u>	<u>231,705</u>
7. Receivables		
Trade debtors	<u>41,542</u>	<u>35,115</u>
8. Property, Plant and Equipment		
<i>Land</i>		
Freehold land at cost	<u>17,500</u>	<u>17,500</u>
<i>Buildings & improvements</i>		
At cost	55,145	55,145
Less accumulated depreciation	<u>(6,896)</u>	<u>(5,517)</u>
	<u>48,249</u>	<u>49,628</u>
<i>Plant and equipment</i>		
At cost	10,723	4,944
Less accumulated depreciation	<u>(1,699)</u>	<u>(800)</u>
	<u>9,024</u>	<u>4,144</u>
<i>Furniture & Fittings</i>		
At cost	108,036	108,036
Less accumulated depreciation	<u>(53,906)</u>	<u>(43,102)</u>
	<u>54,130</u>	<u>64,934</u>
Total written down amount	<u>128,903</u>	<u>136,206</u>
Movements in carrying amounts		
<i>Building</i>		
Carrying amount at beginning of year	49,628	51,007
Depreciation expense	<u>(1,379)</u>	<u>(1,379)</u>
Carrying amount at end of year	<u>48,249</u>	<u>49,628</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	4,144	1,760
Additions	5,779	2,530
Depreciation expense	<u>(899)</u>	<u>(146)</u>
Carrying amount at end of year	<u>9,024</u>	<u>4,144</u>
<i>Furniture & Fittings</i>		
Carrying amount at beginning of year	64,934	75,737
Less depreciation expense	<u>(10,804)</u>	<u>(10,803)</u>
Carrying amount at end of year	<u>54,130</u>	<u>64,934</u>

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006**

	2006	2005
	\$	\$
9. Intangible Assets		
<i>Franchise Fee</i>		
At cost	50,000	50,000
Renewal	10,000	-
Less accumulated amortisation	(50,214)	(40,932)
	<u>9,786</u>	<u>9,068</u>
<i>Preliminary Expenses</i>		
At cost	61,510	61,510
Less accumulated amortisation	(61,510)	(50,852)
	<u>-</u>	<u>10,658</u>
	<u>9,786</u>	<u>19,726</u>
10. Payables		
Trade creditors	51,890	15,279
Accrued audit fee	2,700	2,700
	<u>54,590</u>	<u>17,979</u>
11. Provisions		
Employee benefits	<u>16,852</u>	<u>9,746</u>
Number of employees at year end	<u>5</u>	<u>5</u>
12. Share Capital		
Ordinary shares fully paid of \$1 each	<u>450,009</u>	<u>450,009</u>
13. Retained Earnings/(Accumulated Losses)		
Balance at the beginning of the financial year	(74,814)	(137,627)
Dividends paid	(45,001)	-
Profit after income tax	14,997	62,813
Balance at the end of the financial year	<u>(104,818)</u>	<u>(74,814)</u>
14. Cash Flow Statement		
<i>(a) Reconciliation of cash</i>		
Cash assets	26,132	32,178
Deposit at call	225,873	199,527
	<u>252,005</u>	<u>231,705</u>

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006**

	2006	2005
	\$	\$
14. Cash Flow Statement (continued)		
<i>(b) Reconciliation of profit after tax to net cash from/(used in) operating activities</i>		
Profit after income tax	14,997	62,813
Non cash items		
- depreciation	13,082	12,328
- amortisation	19,940	22,302
Changes in assets and liabilities		
- (increase) decrease in receivables	(10,373)	(4,393)
- increase (decrease) in payables	16,779	6,137
- increase (decrease) in provisions	7,106	(12,815)
- increase (decrease) in income tax payable	19,549	19,832
- (increase) decrease in deferred tax asset	-	11,154
Net cashflows provided by operating activities	<u>81,080</u>	<u>117,358</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
 Mr Dean Stoddart (resigned 30 March 2006)
 Mrs Helen Hoppner (resigned 13 June 2006)
 Mr Keith Vardy
 Mr Eric Underwood
 Mr Martin Swanson
 Mrs Michele Ripper (appointed 30 March 2006)
 Mr David Wadey (appointed 14 June 2006)

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 (2005: \$7,800) for providing accounting services to Heyfield & District Community Financial Services

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

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006****15. Director and Related Party Disclosures (continued)**

Directors shareholdings	2006	2005
Mr Alan Broadbent	10,001	10,001
Mr Michael Gahan	4,001	4,001
Mr David Graham	5,001	5,001
Mr Keith Borthwick	1,001	1,001
Mr Martin Swanson	5,000	5,000
Mr Dean Stoddart (resigned 30 March 2006)	1,001	1,001
Mrs Helen Hoppner (resigned 13 June 2006)	-	-
Mr Keith Vardy	1,000	1,000
Mr Eric Underwood	10,000	10,000
Mrs Michele Ripper (appointed 30 March 2006)	1,000	-
Mr David Wadey (appointed 14 June 2006)	-	-

Other than the purchase of 1,000 shares by Michele Ripper there was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

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. Corporate Information

Heyfield & District Community Financial Services Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is:

54-56 Temple Street
Heyfield Victoria 3858

Heyfield and District Community Financial Services Limited**ABN 96 094 854 949****Notes to the Financial Statements
for the year ended 30 June 2006**

20. Dividends paid or provided for on ordinary shares	2006	2005
	\$	\$
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 10 cents per share (2005: Nil)	45,001	-
(b) Dividends proposed and not recognised as a liability	22,500	
Franked dividends - 5 cents per share (2005: 10 cents per share)		
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	545	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	19,549	-
	<u>20,094</u>	<u>-</u>

The tax rate at which dividends have been franked is 30% (2005: N/A).

21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	<u>14,997</u>	<u>73,967</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>450,009</u>	<u>450,009</u>

Heyfield and District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
For the year ended 30 June 2006

22. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. 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 Balance Sheet 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

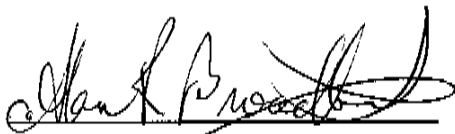
Financial Instrument	Floating Interest Rate		Fixed Interest Rate maturing in						Non Interest Bearing		Weighted average Effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 %	2005 %
Financial												
Assets												
Cash assets	26,132	32,178	-	-	-	-	-	-	-	-	0.05	0.05
Term deposit	-	-	225,874	199,527	-	-	-	-	-	-	5.50	5.22
Receivables	-	-	-	-	-	-	-	-	41,542	35,115	N/A	N/A
Financial												
Liabilities												
Payables	-	-	-	-	-	-	-	-	54,590	17,979	N/A	N/A

Heyfield and District Community Financial Services Limited
ABN 96 094 854 949
Directors Declaration

In accordance with a resolution of the directors of Heyfield & District Community Financial Services Limited,
I 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 2006 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 2006.



Alan Broadbent, Chairman

Signed at Heyfield, Victoria on 19 September 2006