

# Annual Report

30<sup>th</sup> June 2006



Heyfield & District  
**Community Financial  
Services Limited**

ABN 96 094 854 949

### **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 invite all shareholders to attend our 6th Annual General Meeting which is to be held on Thursday 26th October 2006 at the Heyfield Wetlands Centre, at 7:30pm.

I am pleased to be able to present this Report.

We are in a sound financial position as our Annual Report shows. We thank all those who bank with our company and are proud we have paid our first dividend - 5 cents plus a loyalty bonus of 5 cents, fully franked.

Two Board Members and our Branch Manager, Clare Adams, attended the 2006 Community Bank National Conference. It is a little over 8 years since the first Community Bank opened. We are now one of 185 Community Banks throughout Australia. We each share in each other's problems and achievements.

Even Cyclone Larry could not stop the successful float and opening of the Babinda Community Bank. Babinda, a small town in Northern Queensland, was devastated by Cyclone Larry and many Community Banks were willing to help. After the cyclone, Babinda experienced 2 metres of rain in 6 weeks. They regrouped and opened under their own initiative, thanking all the Community Banks that had offered their support.

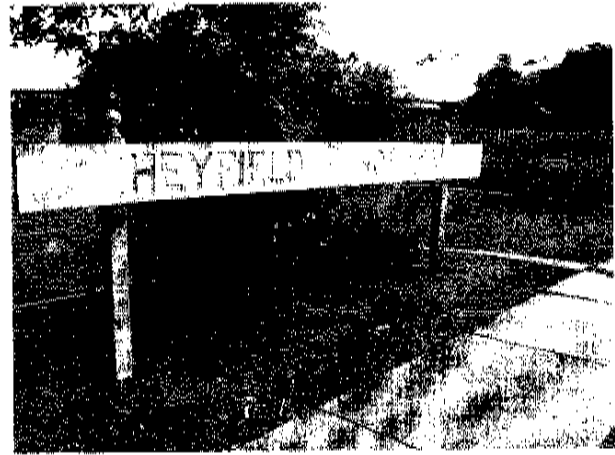
We are proud to be a partner of Bendigo Bank Limited and to keep us up with all the changes that take part in being a publicly listed company.

One of our achievements this year is the appointment of our first bank trainee, Tamarah Smith. Tamarah, a local girl, has a wonderful personality and has fitted in well with our great staff. We are also members of the Bendigo Stock Exchange and we have had some trades. For more information contact our Company Secretary, Keith Borthwick.

We also paid our second donation to Heyfield Hospital.

Community Telco - Profit which will go to help our youth. We are working with Young Achievement Australia and Maffra Secondary College Year 11 students. They have formed a registered company called "Woodya". The company decided to produce wooden bangles. They sourced timber from Neville Smith Timber Industries Heyfield and are manufacturing, marketing and selling the bangles. The company hopes to make a profit. It is helping the students in practical business management. We are acting as mentors to the students.

We have also supported the Heyfield Lions Club, the RTC, Heyfield Bowls Club, Heyfield Golf Club and other local organisations.





It is with regret that Michael Gahan relinquished the Treasurer's position. Dean Stoddart and Helen Hoppner resigned from the Board. We thank them both for the support they gave to the Board. We welcome Michele Ripper to the Board.

Thanks to our manager Clare Adams and our staff Mandy, Kerry, Jane, Tina and Tamarah. These ladies are our front line and we are proud of our staff. Thank you.

I wish to thank all the Board members for their contributions. It is not easy to be a Director of a publicly listed company. Thanks also to Helen Reid, our minute secretary.

We look forward to seeing you all at the Annual General Meeting and for further announcements.

If you have something you are not happy with, come and join your Board.

Alan Broadbent  
Chairman



# Manager's Report

It is with great pleasure that I submit my first Manager's report to Shareholders.

Our fifth year of trading has again continued the steady increase in growth, with the business growing by \$2.5 million for the year. As at 30<sup>th</sup> June 2006 we held 2829 accounts totalling \$42.5 million in total business. Deposits totalled \$22.4 million with a loan portfolio of \$20.1 million.

It is especially pleasing that we are increasingly opening accounts and writing loans for family and friends referred by existing customers, we have also had many existing customers consolidating their relationship with the Branch by further lending or utilising other products and services offered. This form of referral demonstrates the high value our existing customers place on their relationship with the Branch, and demonstrates the confidence they have in recommending our service to others.

One of the highlights for the year was the appointment of a local young person as a Trainee. Tamarah commenced work at the Branch in April in a full-time capacity whilst studying for her Certificate 3 in Financial Services, and has become a valued member of our Team.



May this year was our 5<sup>th</sup> birthday, so a week of celebrations was held culminating with a party on the Saturday morning. The branch was decorated in the corporate colours, a display of photos told our story, and the entries from the children in our colouring competition decorated the walls of the Branch. A competition for all customers was held to nominate a group or an organisation to win cash prizes, and lucky customer prizes were awarded all week. Our local traders got in the party atmosphere and decorated their businesses with streamers and balloons.

Throughout the year we have continued to support many varied local groups and organisations with donations, provided trophies and sponsorship items.

I would like to give my thanks to my team, Mandy, Kerry, Jane, Tina and Tamarah for their dedication and professional approach in continuing to provide a superior level of personalised service. Also I would like to thank the Directors who all give of their time and talents in a voluntary capacity for their support and encouragement.

We look forward to the next 12 months with confidence that our Business will continue to grow, however this will be reliant upon community support. So I ask each and every one of you be an advocate for your Bank, to encourage family, friends, and owners of businesses and any one else that they may know of to open an account.

Clare Adams  
Manager



**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 in 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.



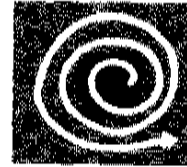
Heyfield and District Community Financial Services Limited  
ABN 96 094 854 949  
Directors' Report

**Auditor Independence Declaration**

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

**Richmond Sinnott & Delahunty**

Chartered Accountants



10 Forest Street  
P.O. Box 30  
Bendigo. 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
Email:  
rsd@rsd advisors.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

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

	<u>Notes</u>	<b>2006</b> <b>\$</b>	<b>2005</b> <b>\$</b>
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>
<b>Profit before income tax expense</b>		34,546	93,799
Income tax expense	4	<u>19,549</u>	<u>30,986</u>
<b>Profit after income tax expense</b>		<u><u>14,997</u></u>	<u><u>62,813</u></u>
<b>Earnings per share (cents per share)</b>			
- 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>	<u>2006</u> \$	<u>2005</u> \$
<b>Current Assets</b>			
Cash assets	6	252,005	231,705
Prepayments		3,946	-
Receivables	7	41,542	35,115
<b>Total Current Assets</b>		<u>297,493</u>	<u>266,820</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	128,903	136,206
Intangible assets	9	9,786	19,726
<b>Total Non-Current Assets</b>		<u>138,689</u>	<u>155,932</u>
<b>Total Assets</b>		<u>436,182</u>	<u>422,752</u>
<b>Current Liabilities</b>			
Payables	10	54,590	17,979
Current tax liability	4	19,549	19,832
Provisions	11	16,852	9,746
<b>Total Current Liabilities</b>		<u>90,991</u>	<u>47,557</u>
<b>Total Liabilities</b>		<u>90,991</u>	<u>47,557</u>
<b>Net Assets</b>		<u>345,191</u>	<u>375,195</u>
<b>Equity</b>			
Share capital	12	450,009	450,009
Accumulated losses	13	(104,818)	(74,814)
<b>Total Equity</b>		<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 \$
<b>Cash Flows From Operating Activities</b>			
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
<b>Net cash flows from/(used in) operating activities</b>	14b	<u>81,080</u>	<u>117,358</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(5,779)	(2,530)
Purchase of intangible assets		(10,000)	-
<b>Net cash flows used in investing activities</b>		<u>(15,779)</u>	<u>(2,530)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(45,001)	-
<b>Net cash flows used in financing activities</b>		<u>(45,001)</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>		20,300	114,828
Add opening cash brought forward		231,705	116,877
<b>Closing cash carried forward</b>	14a	<u>252,005</u>	<u>231,705</u>

**Heyfield and District Community Financial Services Limited**  
**ABN 98 094 854 949**  
**Statement of Changes in Equity**  
**As at 30 June 2006**

	2006 \$	2005 \$
<b>SHARE CAPITAL</b>		
<i>Ordinary shares</i>		
Balance at start of year	450,009	450,009
Issue of share capital	-	-
Share issue costs	-	-
<b>Balance at end of year</b>	<u>450,009</u>	<u>450,009</u>
 <b>RETAINED EARNINGS / (ACCUMULATED LOSSES)</b>		
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>
<b>Balance at end of year</b>	<u>(104,818)</u>	<u>(74,814)</u>

The accompanying notes form part of these financial statements

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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**

**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:

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

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
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>

Notes to the Financial Statements  
for the year ended 30 June 2006

**3. Expenses**

	2006 \$	2005 \$
Employee benefits expense	156,989	149,665
- wages and salaries	13,466	14,469
- superannuation costs	1,004	863
- workers' compensation costs	1,928	1,555
- other costs	<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	<u>19,940</u>	<u>22,302</u>
	<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
	<u>19,549</u>	<u>30,986</u>
Current income tax expense	<u>19,549</u>	<u>30,986</u>
Income tax expense		
Tax liabilities	<u>19,549</u>	<u>19,832</u>
Current tax payable		

**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 \$
<b>6. Cash Assets</b>		
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>
<b>7. Receivables</b>		
Trade debtors	<u>41,542</u>	<u>35,115</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>(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 &amp; 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>
<b>Movements in carrying amounts</b>		
<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 &amp; 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 \$
<b>9. Intangible Assets</b>		
<i>Franchise Fee</i>	50,000	50,000
At cost	10,000	-
Renewal	(50,214)	(40,932)
Less accumulated amortisation	<u>9,786</u>	<u>9,068</u>
<i>Preliminary Expenses</i>	61,510	61,510
At cost	(61,510)	(50,852)
Less accumulated amortisation	<u>-</u>	<u>10,658</u>
	<u>9,786</u>	<u>19,726</u>
<b>10. Payables</b>		
Trade creditors	51,890	15,279
Accrued audit fee	2,700	2,700
	<u>54,590</u>	<u>17,979</u>
<b>11. Provisions</b>		
Employee benefits	<u>16,852</u>	<u>9,746</u>
Number of employees at year end	<u>5</u>	<u>5</u>
<b>12. Share Capital</b>		
Ordinary shares fully paid of \$1 each	<u>450,009</u>	<u>450,009</u>
<b>13. Retained Earnings/(Accumulated Losses)</b>		
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>
<b>14. Cash Flow Statement</b>		
<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

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Notes to the Financial Statements  
for the year ended 30 June 2006

14. Cash Flow Statement (continued)	2006 \$	2005 \$
(b) Reconciliation of profit after tax to net cash from/(used in) operating activities		
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)**

<b>Directors shareholdings</b>		
		Mr Alan Broadbent
		Mr Michael Gahan
		Mr David Graham
		Mr Keith Borthwick
		Mr Martin Swanson
		Mr Dean Stoddart (resigned 30 March 2006)
		Mrs Helen Hoppner (resigned 13 June 2006)
		Mr Keith Vardy
		Mr Eric Underwood
		Mrs Michele Ripper (appointed 30 March 2006)
		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.
<b>16. Subsequent Events</b>		
		There have been no events after the end of the financial year that would materially affect the financial statements.
<b>17. Contingent Liabilities</b>		
		There were no contingent liabilities at the date of this report to affect the financial statements.
<b>18. Segment Reporting</b>		
		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.
<b>19. Corporate Information</b>		
		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		
Franked dividends - 5 cents per share (2005: 10 cents per share)	22,500	-
(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**

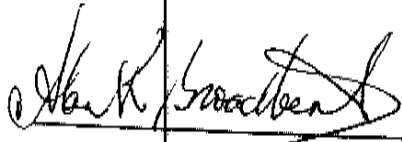
Interest Rate Risk												
Financial Instrument	Floating Interest Rate		Fixed Interest Rate maturing in						Non Interest Bearing		Weighted average Effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	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

# Richmond Sinnott & Delahunty

Chartered Accountants



Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip 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 & Delahunt*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 19 September 2006

## Executive remuneration

In the view of the board, no staff member makes, or participates in making, decisions that affect the business of the company or has the capacity to affect significantly the company's financial standing. Accordingly, there is no remuneration or executives to be reported.

## BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows: The information is current as at 19th September 2006.

### A. Corporate Governance Statement

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

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

### B. Substantial Shareholders - Ten largest shareholders

Name	Number of Ordinary Shares	Ordinary Shares
Richard Everitt Thorne	13,000	2.89%
J Appleyard	10,500	2.33%
A R & A M Broadbent	10,001	2.22%
C Hammill Quarries Pty Ltd	10,000	2.22%
Dajar Pty Ltd	10,000	2.22%
E H Tryhorn	10,000	2.22%
D Hansen	10,000	2.22%
B R & M Drake	10,000	2.22%
G Carstein	10,000	2.22%
D Hansen	10,000	2.22%
C D McDonough	10,000	2.22%
Total		

There are four other Shareholders holding 10,000 shares each.

### C. Voting Rights

Each shareholder has one vote.

### D. Distribution of Shareholders

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

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	189	129006
1,001 - 5,000	58	172501
5,001 - 10,000	12	115001
10,001 - 100,000	3	33501
100,001 and over	Nil	Nil
<b>Total</b>		<b>450,009</b>

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

**E. Monitoring of the Board's performance and communication to shareholders in order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire. The Board and Directors aim to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. The Board does have an Audit Committee.**

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

Bendigo Bank Limited  
Share Registry Office  
Fountain Court  
Bendigo 3552  
Telephone: 03 5433 9339

**G. Heyfield & District Community Financial Services Limited**

Keith Borthwick  
Company Secretary  
47 Temple Street  
HEYFIELD VIC 3858  
Telephone: 03 5148 2292



Clare Adams (Manager)



Mandy Hodge



Kerry Anderson



Tina McGill



Tamarah Smith



Jane McInnes



Heyfield & District  
**Community Bank Branch**

Heyfield & District Community Financial Services Limited ABN 96 094 854 949

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