

# HEYFIELD & DISTRICT COMMUNITY FINANCIAL SERVICES LTD

ACN 094 854 949

*Correspondence and enquiries:*

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Our Ref: KAB:HR

Your Ref:

28 September 2007

IAN CRAIG  
COMPANIES MANAGER  
BENDIGO STOCK EXCHANGE  
LEVEL 1  
257 COLLINS STREET  
MELBOURNE 3000

Dear Ian

## **RE: ANNOUNCEMENTS**

We enclose copies of the contents of the Annual Report for the year ended 30th June 2007.

By way of announcement, we also advise the following:

- 1 The company Secretary, Keith Alexander Borthwick, has acquired 1 share from Bryce Eugene Azlin, one of the original subscribing shareholders in the company.

Yours faithfully

KEITH BORTHWICK  
SECRETARY

## **Chairman's Report**

On behalf of your Board of Directors, I am proud to give my 7th Annual Report. We invite you to our Annual General Meeting which is to be held at the Wetlands Centre on Thursday 25th October, 2007 at 7.30 p.m.

Community Banking is now in every State and Territory of Australia with the 200th Branch opening at Dromana.

We have made the final payment towards the \$100,000.00 pledged to our Heyfield Hospital: we have also supported the Scout Group, both Primary Schools as well as Cowwarr Primary, the Bowls Club, Golf Club and other organizations in Heyfield and District.

We are working with the Ambulance, Gordon Street Reserve and hopefully we can help them in their efforts to improve their venues.

With the terrible bush fires and the tremendous floods we were again supporting Gippsland Emergency Relief Fund.

We also thank our shareholders who have written or communicated with us, being a Community Bank® we will deliver to the Community as well as our shareholders. We urge all our shareholders to support our bank and we will prosper together. Do you as a shareholder work with your Bank?

Three Directors went to the 9th Annual Conference at Bendigo, 400 Directors attended from all over Australia and a wonderful venue to exchange ideas next year will be the 150th Year of Bendigo Bank and 10th Year of Community Banking. Keith Vardy resigned due to ill health. Thanks for your support and we wish you well for the future.

We welcome three new Directors - Sarah Bardsley, Anne Hellyer and Michael Kube.

Tamarah Smith is moving to Traralgon to further her career in banking. We will miss her. She has been a wonderful member of our staff. Good luck and hope you will return to Heyfield. Our staff, Manager Clare, Mandy, Jane, Kerry and Tina, we thank you all.

We thank the other Community Banks in Gippsland and Russell Carrick and staff at Regions Head Office.

## **Manager's Report**

It is with great pleasure that I submit my report to shareholders for the financial year ended 30<sup>th</sup> June 2007.

Significant growth in all areas of the business was achieved during the year, with the business growing by \$8.5 million; this was represented by growth in deposits of \$5.5 million and loans by \$3 million. Total balance sheet position as at 30<sup>th</sup> June 2007 was \$51 million.

It is pleasing to see steady growth in all areas of our business. We now have 3012 accounts held by 1813 customers. There were 157 loans approved for the year compared to 114 for the previous year. Number of customer transactions processed in the branch also increased with the average monthly number of transactions being 2,363 compared to 2,294.

Many customers are consolidating their relationship with the branch even further by utilising a broad range of products and services that are offered such as insurance, financial planning, specialist business lending and many others. It is very pleasing to see that we are becoming the Bank of choice for many of our customers.

Our ATM continues to provide a very valuable service to our community, with an average of 208 transactions being processed each day compared to 200 for the previous year. The machine and surrounds were replaced in August last year in order to provide customers with better access and lighting.

Throughout the year we have continued to support a variety of local groups and organisations with donations, trophies and sponsorship items. We have hosted visits by children from the local primary schools to learn more about banking and money.

The significant achievements of our branch over the last 12 months have also been recognised by the Gippsland Region of the Bendigo Bank with Heyfield being awarded branch of the month of May and receiving a special award for "significant achievement for the 2006/07 year" Throughout the year staff have attended a number of training workshops ensuring that their knowledge of banking procedures and products remains current.

I would like to give my thanks to my team, Mandy, Kerry, Jane, Tina and Tamarah who continue to provide our customers with a superior level of personalised service. Also I would like to thank the Board for all their help and support and for their commitment to the concept of community banking.

We would not have been able to achieve the successes of the year without the support and loyalty of our customers. Many of our customers have referred family and friends to the branch, this again highlights the value that these people put on their continuing relationship with the branch. Increased community support of the branch will enable the Board to continue and support a broad range of sustainable community outcomes.

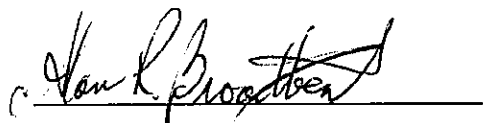
Clare Adams

**Heyfield & 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 2007 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; and
- (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 2007.

A handwritten signature in black ink, appearing to read 'Alan R Broadbent', is written over a horizontal line.

Alan Broadbent, Chairman

Signed at Heyfield, Victoria on 12 September 2007

**Heyfield & 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 2007.

**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 (resigned 26 October 2006)  
Treasurer  
Occupation: Accountant

Mr David Graham  
Director  
Occupation: Business proprietor

Mr Keith Borthwick  
Secretary  
Occupation: Solicitor

Mr Keith Vardy (resigned 26 October 2006)  
Director  
Occupation: Farmer

Mr Martin Swanson  
Director  
Occupation: Business Proprietor

Mr Eric Underwood  
Director  
Occupation: Manager

Mr David Wadey  
Director  
Occupation: Real Estate Agent

Mrs Michele Ripper  
Director  
Occupation: Dance Instructor

Ms Sarah Bardsley (appointed 22 November 2006)  
Director  
Occupation: Marketing & Communications Manager

Mrs Anne Hellyer (appointed 13 December 2006)  
Director  
Occupation: Marketing & Communications Manager

Mr Donald Kube (appointed 13 December 2006)  
Director  
Occupation: School Camp Project Manager

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 \$22,299 (2006: \$14,997).

<b>Dividends</b>	<b><u>Year Ended 30 June 2007</u></b>	
	<b>Cents</b>	<b>\$</b>
Dividends paid in the year	5	22,500

**Heyfield & 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 \$0 (2006: \$3,900) 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 & 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:** 20

**Number of Meetings Attended:**

Mr Alan Broadbent	19
Mr Michael Gahan (resigned 26 October 2006)	1
Mr David Graham	17
Mr Keith Borthwick	20
Mr Keith Vardy (resigned 26 October 2006)	1
Mr Eric Underwood	14
Mr Martin Swanson	19
Mrs Michele Ripper	18
Mr David Wadey	15
Ms Sarah Bardsley (appointed 22 November 2006)	11
Mrs Anne Hellyer (appointed 13 December 2006)	10
Mr Donald Kube (appointed 13 December 2006)	8

**Company Secretary**

Keith Borthwick has been the company secretary of Heyfield & District Community Financial Services Ltd for five years. Keith Borthwick has been a legal practitioner for 30 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.

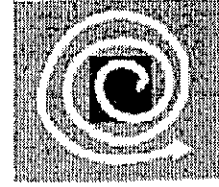


Heyfield & District Community Financial Services Limited  
ABN 96 094 854 949  
Directors' Report

**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@rsdadviseurs.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 2007, 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  
12 September 2007

Signed in accordance with a resolution of the Board of Directors at Heyfield, Victoria on 12 September 2007.

Alan Broadbent, Chairman

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Income Statement**  
**For the year ended 30 June 2007**

	<u>Notes</u>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
Revenues from ordinary activities	2	496,779	429,441
Employee benefits expense	3	(218,185)	(173,387)
Depreciation and amortisation expense	3	(15,606)	(33,022)
Donations		(91,000)	(31,182)
Other expenses from ordinary activities		<u>(137,783)</u>	<u>(157,304)</u>
<b>Profit before income tax expense</b>		34,205	34,546
Income tax expense	4	<u>11,906</u>	<u>19,549</u>
<b>Profit after income tax expense</b>		<u><u>22,299</u></u>	<u><u>14,997</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	4.96	3.33
- diluted for profit for the year	21	4.96	3.33
- dividends paid per share	20	5.00	10.00

The accompanying notes form part of these financial statements

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Balance Sheet**  
**As at 30 June 2007**

	<u>Notes</u>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
<b>Current Assets</b>			
Cash assets	6	223,582	252,005
Prepayments		3,130	3,946
Current tax refundable	4	2,400	-
Receivables	7	43,318	41,542
<b>Total Current Assets</b>		<u>272,430</u>	<u>297,493</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	121,748	128,903
Intangible assets	9	7,786	9,786
<b>Total Non-Current Assets</b>		<u>129,534</u>	<u>138,689</u>
<b>Total Assets</b>		<u>401,964</u>	<u>436,182</u>
<b>Current Liabilities</b>			
Payables	10	40,525	54,590
Current tax liability	4	-	19,549
Provisions	11	16,449	16,852
<b>Total Current Liabilities</b>		<u>56,974</u>	<u>90,991</u>
<b>Total Liabilities</b>		<u>56,974</u>	<u>90,991</u>
<b>Net Assets</b>		<u>344,990</u>	<u>345,191</u>
<b>Equity</b>			
Share capital	12	450,009	450,009
Accumulated losses	13	(105,019)	(104,818)
<b>Total Equity</b>		<u>344,990</u>	<u>345,191</u>

The accompanying notes form part of these financial statements

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Cash Flow Statement**  
**For the year ended 30 June 2007**

	<u>Notes</u>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		535,736	442,969
Cash payments in the course of operations		(511,099)	(373,272)
Interest received		9,746	11,383
Income tax paid		(33,855)	-
<b>Net cash flows from operating activities</b>	14b	<u>528</u>	<u>81,080</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(6,451)	(5,779)
Purchase of intangible assets		-	(10,000)
<b>Net cash flows used in investing activities</b>		<u>(6,451)</u>	<u>(15,779)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(22,500)	(45,001)
<b>Net cash flows used in financing activities</b>		<u>(22,500)</u>	<u>(45,001)</u>
<b>Net increase / (decrease) in cash held</b>		(28,423)	20,300
Add opening cash brought forward		252,005	231,705
<b>Closing cash carried forward</b>	14a	<u><u>223,582</u></u>	<u><u>252,005</u></u>

The accompanying notes form part of these financial statements

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Statement of Changes in Equity**  
**As at 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>SHARE CAPITAL</b>		
<i>Ordinary shares</i>		
Balance at start of year	450,009	450,009
Issue of share capital	-	-
Share issue costs	<u>-</u>	<u>-</u>
<b>Balance at end of year</b>	<u><u>450,009</u></u>	<u><u>450,009</u></u>
 <b>RETAINED EARNINGS / (ACCUMULATED LOSSES)</b>		
Balance at start of year	(104,818)	(74,814)
Profit after income tax expense	22,299	14,997
Dividends paid	<u>(22,500)</u>	<u>(45,001)</u>
<b>Balance at end of year</b>	<u><u>(105,019)</u></u>	<u><u>(104,818)</u></u>

The accompanying notes form part of these financial statements

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2007**

**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 12 September 2007.

**(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.

**(c) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2006 financial statements.

**Income tax**

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

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

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

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

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

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2007**

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

**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 & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements**

**for the year ended 30 June 2007**

**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.

**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.



**Heyfield & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

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

**Revenue**

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

**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>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
- services commissions	485,636	414,850
Total revenue from operating activities	<u>485,636</u>	<u>414,850</u>
Non-operating activities:		
- interest received	9,746	11,383
- other revenue	1,397	3,208
Total revenue from non-operating activities	<u>11,143</u>	<u>14,591</u>
Total revenues from ordinary activities	<u><u>496,779</u></u>	<u><u>429,441</u></u>

**Heyfield & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

**3. Expenses**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	196,522	156,989
- superannuation costs	13,691	13,466
- workers' compensation costs	470	1,004
- other costs	7,502	1,928
	<u>218,185</u>	<u>173,387</u>
Depreciation of non-current assets:		
- plant and equipment	12,227	11,703
- leasehold improvements	1,379	1,379
Amortisation of non-current assets:		
- intangibles	2,000	19,940
	<u>15,606</u>	<u>33,022</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%	10,261	10,364
Add tax effect of:		
- Non-deductible expenses	1,645	9,185
<i>Current income tax expense</i>	<u>11,906</u>	<u>19,549</u>
Income tax expense	<u>11,906</u>	<u>19,549</u>
<b>Tax liabilities</b>		
Current tax payable / (refundable)	<u>(2,400)</u>	<u>19,549</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 & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>6. Cash Assets</b>		
Cash at bank and on hand	22,984	26,132
Deposits at call	200,598	225,873
	<u>223,582</u>	<u>252,005</u>
<b>7. Receivables</b>		
Trade debtors	<u>43,318</u>	<u>41,542</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>(8,275)</u>	<u>(6,896)</u>
	<u>46,870</u>	<u>48,249</u>
<i>Plant and equipment</i>		
At cost	14,910	10,723
Less accumulated depreciation	<u>(3,044)</u>	<u>(1,699)</u>
	<u>11,866</u>	<u>9,024</u>
<i>Furniture &amp; Fittings</i>		
At cost	110,300	108,036
Less accumulated depreciation	<u>(64,788)</u>	<u>(53,906)</u>
	<u>45,512</u>	<u>54,130</u>
Total written down amount	<u>121,748</u>	<u>128,903</u>
<b>Movements in carrying amounts</b>		
<i>Building</i>		
Carrying amount at beginning of year	48,249	49,628
Depreciation expense	<u>(1,379)</u>	<u>(1,379)</u>
Carrying amount at end of year	<u>46,870</u>	<u>48,249</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	9,024	4,144
Additions	4,187	5,779
Depreciation expense	<u>(1,345)</u>	<u>(899)</u>
Carrying amount at end of year	<u>11,866</u>	<u>9,024</u>
<i>Furniture &amp; Fittings</i>		
Carrying amount at beginning of year	54,130	64,934
Additions	2,264	-
Less depreciation expense	<u>(10,882)</u>	<u>(10,804)</u>
Carrying amount at end of year	<u>45,512</u>	<u>54,130</u>

**Heyfield & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>9. Intangible Assets</b>		
<i>Franchise Fee</i>		
At cost	60,000	50,000
Renewal		10,000
Less accumulated amortisation	(52,214)	(50,214)
	<u>7,786</u>	<u>9,786</u>
<b>10. Payables</b>		
Trade creditors	37,825	51,890
Accrued audit fee	2,700	2,700
	<u>40,525</u>	<u>54,590</u>
<b>11. Provisions</b>		
Employee benefits	<u>16,449</u>	<u>16,852</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	(104,818)	(74,814)
Dividends paid	(22,500)	(45,001)
Profit after income tax	22,299	14,997
Balance at the end of the financial year	<u>(105,019)</u>	<u>(104,818)</u>
<b>14. Cash Flow Statement</b>		
<i>(a) Reconciliation of cash</i>		
Cash assets	22,984	26,132
Deposit at call	200,598	225,873
	<u>223,582</u>	<u>252,005</u>

**Heyfield & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements**

**for the year ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>14. Cash Flow Statement (continued)</b>		
<i>(b) Reconciliation of profit after tax to net cash from/(used in) operating activities</i>		
Profit after income tax	22,299	14,997
Non cash items		
- depreciation	13,606	13,082
- amortisation	2,000	19,940
Changes in assets and liabilities		
- (increase) decrease in receivables / prepayments	(960)	(10,373)
- increase (decrease) in payables	(14,065)	16,779
- increase (decrease) in provisions	(403)	7,106
- increase (decrease) in income tax payable / (refundable)	(21,949)	19,549
Net cashflows from operating activities	<u>528</u>	<u>81,080</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 (resigned 26 October 2006)  
 Mr David Graham  
 Mr Keith Borthwick  
 Mr Keith Vardy (resigned 26 October 2006)  
 Mr Eric Underwood  
 Mr Martin Swanson  
 Mrs Michele Ripper  
 Mr David Wadey  
 Ms Sarah Bardsley (appointed 22 November 2006)  
 Mrs Anne Hellyer (appointed 13 December 2006)  
 Mr Donald Kube (appointed 13 December 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 \$0 (2006: \$3,900) for providing accounting services to Heyfield & District Community Financial Services Ltd throughout the year.

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

**Heyfield & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements**

**for the year ended 30 June 2007**

**15. Director and Related Party Disclosures (continued)**

<b>Directors shareholdings</b>	<b>2007</b>	<b>2006</b>
Mr Alan Broadbent	10,001	10,001
Mr Michael Gahan (resigned 26 October 2006)	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 Keith Vardy (resigned 26 October 2006)	1,000	1,000
Mr Eric Underwood	10,000	10,000
Mrs Michele Ripper	1,000	1,000
Mr David Wadey	-	-
Ms Sarah Bardsley (appointed 22 November 2006)	-	-
Mrs Anne Hellyer (appointed 13 December 2006)	-	-
Mr Donald Kube (appointed 13 December 2006)	4,000	4,000

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

**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 of the company is:

170 Johnson Street  
Maffra Victoria 3860

The principal place of business is:

54-56 Temple Street  
Heyfield Victoria 3858

**Heyfield & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

<b>20. Dividends paid or provided for on ordinary shares</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Dividends paid during the year</b>		
Previous year final		
Franked dividends - 5 cents per share (2006:10 cents)	22,500	45,001
<b>(b) Dividends proposed and not recognised as a liability</b>		
Franked dividends - 6 cents per share (2006: 5 cents)	27,001	22,500
<b>(c) Franking credit balance</b>		
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%	24,756	545
- Franking credits that will arise from the payment of income tax payable / (refundable) as at the end of the financial year	<u>(2,400)</u>	<u>19,549</u>
	<u><u>22,356</u></u>	<u><u>20,094</u></u>

The tax rate at which dividends have been franked is 30% (2006: 30%).

**21. Earnings per share**

Basic earnings per share amounts are calculated by dividing profit 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 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><u>22,299</u></u>	<u><u>14,997</u></u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u><u>450,009</u></u>	<u><u>450,009</u></u>

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2007**

**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					
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 %	2006 %
Financial Assets												
Cash assets	22,984	26,132	-	-	-	-	-	-	-	-	0.05	0.05
Term deposit	-	-	200,598	225,874	-	-	-	-	-	-	5.50	5.50
Receivables	-	-	-	-	-	-	-	-	43,318	41,542	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	40,525	54,590	N/A	N/A

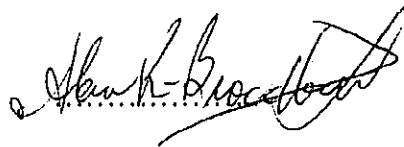


## Compliance Statement

I, Alan Broadbent, as Chairman of Heyfield & District Community Financial Services Limited declare that the following reporting requirements have been met for the financial year ended 30<sup>th</sup> June 2007.

1. The entity's financial records for the financial year have been properly kept in accordance with section 286 of the Corporations Act;
2. The financial statements and notes referred to in section 295(3)(b) of the Act for the financial year comply with accounting standards;
3. The financial statements and notes for the financial year give a true and fair view; and
4. The entity is in full compliance with any other matters as required by the regulations.

Declared by Alan Broadbent

A handwritten signature in black ink, appearing to read 'Alan Broadbent', with a stylized flourish at the end.

On 12 September 2007

At Heyfield

# Richmond Sinnott & Delahunty

Chartered Accountants



Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

12 September 2007

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 2007, 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.

A handwritten signature in black ink, appearing to read 'W Sinnott', followed by a comma.

**Warren Sinnott**  
**Partner**  
**Richmond Sinnott & Delahunty**



Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

***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 2007.

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 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott + Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 12 September 2007

## 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 10th September 2007.

### 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	% of Issued Capital
H Tryhorn & Co Pty Ltd <Provident Fund A/C>	20,000	4.44%
R E 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%
G Carstein	10,000	2.22%
Dajar Pty Ltd <Sweeney Super Fund>	10,000	2.22%
B R & M Drake	10,000	2.22%
J R & A J Graham	10,000	2.22%
D Hansen	10,000	2.22%
<b>Total</b>	<b>208,001</b>	<b>25.2%</b>

There are two 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:

<b>Fully Paid Ordinary Shares</b>			
<b>Range</b>	<b>Number of Holders</b>	<b>Number of Shares</b>	<b>% Issued Capital</b>
1 - 1,000	178	123,903	27.53
1,001 - 5,000	62	178,104	39.58
5,001 - 10,000	10	94,501	21.00
10,001 - 100,000	4	53,501	11.89
100,001 and over	0	0	0.00
<b>Total</b>	<b>254</b>	<b>450,009</b>	<b>100.00</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:**

Computershare Investor Services Pty Ltd  
GPO Box 2975  
MELBOURNE VIC 3001  
Telephone: 1300 850 505

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

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