

Heyfield & District
**Community Financial
Services Limited**



ANNUAL REPORT
2008

Vision Statement

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

Mission Statement

To develop our franchise to realise 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

Heyfield & District Financial Services Limited has completed a very successful year. It's pleasing to see your share of assets, as shown in the 2008 balance, exceeds the share capital value of our company. The board has announced it will pay a fully franked dividend of 7 cents per share paid before Christmas 2008.

With the incredible workload that has been carried out by our Company Secretary, we have employed a part-time assistant to support the board in carrying out administrative services and marketing. We have employed Christine Thomas to this position, and the board believe that Christine will be of great assistance to your board of directors.

The board has purchased a building at Centrepont in Temple Street, Heyfield. This will become the administration building for Heyfield & District Financial Services Limited. More information will be available in the next newsletter.

With so few shares traded on the Bendigo Stock Exchange we will probably be delisted. If you wish to buy or sell shares we will explain how trading can be achieved on the low volume market. We will be issuing in a newsletter shortly.

We welcome Tamarah Smith back to our staff and wish to thank Mandy Hodge for her wonderful service to our Branch and wish her well for the future.

To the members of the board and to our staff Clare, Tamarah, Kerry, Jane and Tina - thank you for your fantastic customer service.

We hope that the donations we have made to our community will help make Heyfield & District a special place for all.

We again wish all the **Community Bank**® Branches great success and thank Russell and the team at the Gippsland Regional Office for the support they provide to our board.

We hope you will all join us at the Annual General Meeting.

Alan Broadbent - Chairman

Board of Heyfield & District Financial Services Limited



(Left to Right) Mike Kube, Sarah Bardsley, David Graham (Treasurer), Alan Broadbent (Chairman), Eric Underwood, Ann Heyler, Keith Borthwick (Company Secretary), Michele Ripper, Martin Swanson, David Wadey

Secretary's Report

Following the adoption of the new constitution at the 2007 Annual General Meeting, we are progressing with the de-listing of the company off the NSX (formerly the Bendigo Stock Exchange) and the setting up of the Low Volume Share Market. In due course we will be forwarding a newsletter giving instructions as to how to access the Low Volume Market.

The board has adopted a policy that whenever possible, it will maintain a local share base within Heyfield and the surrounding district. As yet, the Board has not withheld consent to any share trade. But under the new constitution, the Board does have the power to refuse a share trade if it forms the opinion that the shareholder does not have a relationship with our branch or the Heyfield district.

At this year's National Conference, the **Community Bank®** Strategic Advisory Board was launched. The Strategic Advisory Board is drawn from volunteer directors of the Community Banks from all over Australia. The Advisory Board will focus on strategic, not operational issues. These will include the development of new community solutions, sustaining and strengthening the **Community Bank®** model, and innovation.

Along with the growth of our company, there has been a corresponding growth in administrative duties. I am therefore very pleased to welcome Christine Thomas to the position of personal assistant to the Board. We look forward to working with Chris to put the administration of the company on a more professional footing.

At the same I wish to thank Helen Reid for assistance she has given the Board, especially with the more tedious tasks of processing share transfers and tracking down shareholders addresses, tax file numbers, direct credit details and unrepresented dividend cheques. There a number of shareholders who would be poorer if it were not for Helen's efforts.

I urge all shareholders to support your **Community Bank®** branch by banking there. A prosperous bank branch will lead to a prosperous Heyfield and then you, too, will prosper.

Keith Borthwick - Company Secretary

Branch Staff



Staff of Heyfield & District Financial Services Limited (Left to Right) Tamarah Smith, Jane McInnes, Clare Adams (Branch Manager), Tina McGill, Kerry Anderson.

Manager's Report

It is with great pleasure that I submit my report to shareholders for the financial year ending 30 June 2008.

The significant growth in the business that we have seen over the past two years has continued. Total growth for the year was \$10.3 million; this was represented by growth in deposits of \$5.4 million and loans by \$4.9 million. Total balance sheet position as at 30 June 2008 was \$60.8 million -what a remarkable achievement!

This continued growth can be seen in all areas of our business. We now have 3227 accounts held by 1886 customers and we approved 150 loans approved for the year. The number of customer transactions processed in the branch also increased, with the average monthly number up from 2,363 last year to 2,454 this year. Our ATM continues to provide a valuable service to our community processing an average of 223 transactions per day.

The significant achievements of our branch over the last 12 months has been recognised by the Gippsland Region of the Bendigo Bank with Heyfield being awarded for the second year running a "significant achievement award for the 2007/08 year" Winning this award again gives valued recognition to the branch team for their commitment to your **Community Bank®**.



Our branch team continues to be our point of difference; the welcoming smiles and the friendly and relaxed atmosphere of our branch are appreciated by all. This commitment to customer service is delivered in the upmost professional manner by all staff. Staff attended a number of external and internal training workshops throughout the year to ensure that their knowledge of all areas of banking is up to date.

In June of this year we farewelled Customer Relationship Manager Mandy Hodge, I would like to acknowledge the outstanding commitment by Mandy in making our branch the success that it is today. Tamarah Smith accepted the position of Customer Relationship Officer at Traralgon branch. Tamarah spent eight months in this role gaining valuable experience, returning to Heyfield in June of this year to take up the position created by Mandy's resignation.

Throughout the year a diverse range of local groups and organisations have benefited from over \$90,000 in donations and sponsorships. Over \$218,000 has been distributed to the community in the last three years; this demonstrates what the **Community Bank®** model is all about.

I would like to give my thanks to my team, Mandy, Tamarah, Kerry, Jane, and Tina who continue to provide our customers with a superior level of personalised service. I would also 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. As an investor in your community and the bank, we seek your support as an advocate for the branch by encouraging family, friends and neighbours to be supporter of your **Community Bank®** branch.

Clare Adams - Branch Manager

What is your bank doing for your community?

**Heyfield & District Community Bank® is proud to have supported the
following community groups and organisations
with sponsorship and donations of
\$90,636.84 during the financial year:**

Australian Miniature Pony Society
Cowwarr Football Club
Cowwarr Historical Association
Gippsland Business Awards
Gippsland Emergency Relief Fund
Heyfield & District Angling Club
Heyfield & District Family History Group
Heyfield & District Traders
Heyfield & District Vintage Machinery Group
Heyfield Basketball Association
Heyfield Bowls Club
Heyfield Cemetery Trust
Heyfield Community Chest
Heyfield Community Resource Centre
Heyfield Cricket Club
Heyfield Football Club
Heyfield Hospital
Heyfield Netball Club
Heyfield Primary School
Heyfield Resource Centre
Heyfield Scout Group
Heyfield Tennis Club
Heyfield Wetlands
Laurina Lodge Hostel
Lions Club of Heyfield
Maffra & District Agricultural Society
Maffra Secondary College
Nambrook - Denison Primary School
Newry Christmas Pageant
Rotary Club of Heyfield
St Michael's Parents & Friends
St Michael's Primary School
Victoria Police - "Safe Not Sorry" program
Wollangarra

Celebrating 10 years of the **Community Bank®** Network

A message from Bendigo Bank

June 2008 marks ten years since Bendigo Bank and the people of Rupanyup and Minyip unveiled the first **Community Bank®** branches in Australia, marking a turning point not only for the two small Victorian wheat belt towns, but for the Bendigo as well.

Today, these two towns have been joined by more than 210 communities to form Australia's fastest growing banking network – community banking.

It is a significant milestone for Bendigo Bank and our **Community Bank®** partners.

The number of **Community Bank®** branches has doubled in the last four years and in the same time frame, customers have tripled their commitment of banking business to the community network, increasing it to more than \$11 billion.

More importantly, in excess of \$18 million in **Community Bank®** branch profits have been returned to community projects and \$12 million has been paid in dividends to more than 50,000 local shareholders.

Behind those numbers are hundreds of stories of **Community Bank®** branches making a real difference to the lives of local people.

Whether it's building a community hall, sponsoring an art prize or even buying new footy jumpers for the local side – these **Community Bank®** branches are helping improve the economic and social prospects of their local communities.

Add to those contributions the employment of more than 1000 staff members and daily expenses in the local economy and you have a truly meaningful contribution to those communities and to local prosperity.

As we reflect on the past 10 years, it's with a feeling of great pride and accomplishment for what has been achieved in partnership between our team at the Bendigo and our community partners.

The landscape of banking has changed dramatically, but more importantly – so have the communities we partner and our own organisation.

Our partners have taken charge of outcomes locally that will impact positively for many years to come. Likewise, our organisation has built on our community focussed heritage and evolved to become a true partner to community.

Your commitment, enthusiasm and belief in the **Community Bank®** model has been instrumental, and for that we thank you.

And here we are, only 10 years into this wonderful journey. Who knows what positive outcomes we'll be talking about in 10 years time, as the **Community Bank®** network matures?

It's an exciting prospect – and we are very proud of what our team and the communities we partner have achieved together.



Russell Jenkins
Chief General Manager
Retail & Distribution



13 June, 2008

Mr Alan Broadbent
Chairman - Heyfield & District Community Financial Services Limited
PO Box 251
Heyfield 3858

Dear Alan and Directors,

Congratulations on achieving \$60m in banking business.

It is with great pleasure that I sit down to write this letter.

Your company and branch teams are no doubt deservedly proud. Achieving \$60m in banking business is yet another fantastic milestone for the Heyfield community.

When I reflect on the evolution of the **Community Bank**[®] model, I feel great admiration for the Board and branch teams who have made the model successful across Australia.

What you have achieved in Heyfield and District is a wonderful success story. I recall those meetings in the early days and then your branch launch, with very fond memories. To consider, since that time over \$265k through dividends and community grants have been reinvested into your community, makes me immensely proud. These achievements clearly demonstrate the commitment of your local board, branch team and your community.

In closing, on behalf of Bendigo, I'd like to formally express our delight and pride at the continued success of the Heyfield **Community Bank**[®] Branch. The strength of the **Community Bank**[®] model truly lies in our wonderful partnership, and we look forward to working together for many years to come.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Russell Jenkins'.

**RUSSELL JENKINS
CHIEF GENERAL MANAGER
RETAIL & DISTRIBUTION**

Bendigo Bank Limited ABN 11 068 049 178 AFSL 237879.
The Bendigo Centre, Bendigo VIC 3550 Phone (03) 5485 7911 Fax (03) 5485 7000

BEN30MI025 (S16986)

www.bendigobank.com.au

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 2008 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 2008.



Alan Broadbent, Chairman

Signed at Heyfield, Victoria on 11 September 2008

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 2008.

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: Retired	Mr Keith Borthwick Secretary Occupation: Solicitor
Mr David Graham Treasurer Occupation: Business proprietor	Mr Martin Swanson Director Occupation: Business Proprietor
Mr Eric Underwood Director Occupation: Retired	Mr David Wadey Director Occupation: Real Estate Agent
Mrs Michele Ripper Director Occupation: Dance Instructor	Ms Sarah Bardsley Director Occupation: Marketing & Communications Manager
Mrs Anne Hellyer Director Occupation: Outreach Co-ordinator	Mr Donald Kube Director Occupation: School Camp Project Manager

Directors were in office for this entire year.

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 and Adelaide 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 \$56,974 (2007: \$22,299).

Dividends	<u>Year Ended 30 June 2008</u>	
	Cents Per Share	\$
Dividends paid in the year	6	27,001

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

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.

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.

Directors Meetings

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

Number of Meetings Held: 19

Number of Meetings Attended:

Mr Alan Broadbent	18
Mr David Graham	15
Mr Eric Underwood	17
Mrs Michele Ripper	18
Mrs Anne Hellyer	12
Mr Keith Borthwick	19
Mr Martin Swanson	18
Mr David Wadey	13
Ms Sarah Bardsley	17
Mr Donald Kube	10

Company Secretary

Keith Borthwick has been the company secretary of Heyfield & District Community Financial Services Ltd for six years. Keith Borthwick has been a legal practitioner for 31 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.

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty

Chartered Accountants



172-176 McIvor Rd
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344

E-mail: rsd@rsd advisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Heyfield & District Community Financial Services Ltd for the financial year ended 30 June 2008, 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

11 September 2008

Signed in accordance with a resolution of the Board of Directors at Heyfield, Victoria on 11 September 2008.



Alan Broadbent, Chairman

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Income Statement
For the year ended 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Revenue from ordinary activities	2	585,941	496,779
Employee benefits expense	3	(240,802)	(218,185)
Depreciation and amortisation expense	3	(16,585)	(15,606)
Charitable donations and sponsorship		(119,429)	(91,000)
Other expenses from ordinary activities		<u>(131,923)</u>	<u>(137,783)</u>
Profit before income tax expense		77,202	34,205
Income tax expense	4	<u>20,228</u>	<u>11,906</u>
Profit after income tax expense		<u><u>56,974</u></u>	<u><u>22,299</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	22	12.66	4.96
- diluted for profit for the year	22	12.66	4.96
- dividends paid per share	21	6.00	5.00

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 2008

	<u>Notes</u>	2008 \$	2007 \$
Current Assets			
Cash assets	6	247,576	223,582
Prepayments		2,236	3,130
Current tax refundable	4	-	2,400
Receivables	7	52,515	43,318
Total Current Assets		<u>302,327</u>	<u>272,430</u>
Non-Current Assets			
Property, plant and equipment	8	244,234	121,748
Intangible assets	9	5,781	7,786
Total Non-Current Assets		<u>250,015</u>	<u>129,534</u>
Total Assets		<u>552,342</u>	<u>401,964</u>
Current Liabilities			
Payables	10		
29,764	0	40,525	
Current tax liability	4	11,668	-
Provisions	11	12,121	16,449
Total Current Liabilities		<u>53,553</u>	<u>56,974</u>
Total Liabilities		<u>53,553</u>	<u>56,974</u>
Net Assets		<u>498,789</u>	<u>344,990</u>
Equity			
Share capital	12	450,009	450,009
Asset revaluation reserve	13	123,826	-
Accumulated losses	14	(75,046)	(105,019)
Total Equity		<u>498,789</u>	<u>344,990</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 2008

	<u>Notes</u>	2008 \$	2007 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		614,970	535,736
Cash payments in the course of operations		(553,265)	(511,099)
Interest received		8,690	9,746
Income tax paid		(6,160)	(33,855)
Net cash flows from operating activities	15b	<u>64,235</u>	<u>528</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(13,240)	(6,451)
Net cash flows used in investing activities		<u>(13,240)</u>	<u>(6,451)</u>
Cash Flows From Financing Activities			
Dividends paid		(27,001)	(22,500)
Net cash flows used in financing activities		<u>(27,001)</u>	<u>(22,500)</u>
Net increase / (decrease) in cash held		23,994	(28,423)
Add opening cash brought forward		223,582	252,005
Closing cash carried forward	15a	<u><u>247,576</u></u>	<u><u>223,582</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 2008

	2008 \$	2007 \$
SHARE CAPITAL		
<i>Ordinary shares</i>		
Balance at start of year	450,009	450,009
Issue of share capital	-	-
Share issue costs	<u>-</u>	<u>-</u>
Balance at end of year	<u><u>450,009</u></u>	<u><u>450,009</u></u>
 RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Balance at start of year	(105,019)	(104,818)
Profit after income tax expense	56,974	22,299
Dividends paid	<u>(27,001)</u>	<u>(22,500)</u>
Balance at end of year	<u><u>(75,046)</u></u>	<u><u>(105,019)</u></u>

The accompanying notes form part of these financial statements

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 11 September 2008.

(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 2007 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.

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.

During the half year the directors unanimously agreed to bring to account land and buildings at current market value of \$187,500 on the basis of an independent valuation prepared by Central Gippsland Valuations on 21 December 2007.

A revaluation surplus of \$123,826 has been credited to the asset revaluation reserve included in the equity section of the balance sheet.

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.

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.

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	2008	2007
	\$	\$
Operating activities		
- services commissions	574,660	485,636
Total revenue from operating activities	<u>574,660</u>	<u>485,636</u>
Non-operating activities:		
- interest received	8,690	9,746
- other revenue	2,591	1,397
Total revenue from non-operating activities	<u>11,281</u>	<u>11,143</u>
Total revenue from ordinary activities	<u><u>585,941</u></u>	<u><u>496,779</u></u>

3. Expenses	2008	2007
	\$	\$
Employee benefits expense		
- wages and salaries	203,939	196,522
- superannuation costs	17,580	13,691
- workers' compensation costs	527	470
- other costs	18,756	7,502
	<u>240,802</u>	<u>218,185</u>
Depreciation of non-current assets:		
- plant and equipment	13,198	12,227
- leasehold improvements	1,382	1,379
Amortisation of non-current assets:		
- intangibles	2,005	2,000
	<u>16,585</u>	<u>15,606</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%	23,161	10,261
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	(1,863)	1,645
- Prior year overprovision of tax	(1,070)	-
Current income tax expense	<u>20,228</u>	<u>11,906</u>
Income tax expense	<u>20,228</u>	<u>11,906</u>
Tax liabilities		
Current tax payable / (refundable)	<u>11,668</u>	<u>(2,400)</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>

	2008	2007
	\$	\$
6. Cash Assets		
Cash at bank and on hand	3,318	22,984
Deposits at call	244,258	200,598
	<u>247,576</u>	<u>223,582</u>
7. Receivables		
Trade debtors	<u>52,515</u>	<u>43,318</u>
8. Property, Plant and Equipment		
<i>Land</i>		
Freehold land at cost	<u>17,500</u>	<u>17,500</u>
<i>Buildings & improvements</i>		
At cost	55,145	55,145
Revaluation #	123,826	-
Less accumulated depreciation	<u>(9,657)</u>	<u>(8,275)</u>
	<u>169,314</u>	<u>46,870</u>
<i>Plant and equipment</i>		
At cost	19,015	14,910
Less accumulated depreciation	<u>(4,844)</u>	<u>(3,044)</u>
	<u>14,171</u>	<u>11,866</u>
<i>Furniture & Fittings</i>		
At cost	119,435	110,300
Less accumulated depreciation	<u>(76,186)</u>	<u>(64,788)</u>
	<u>43,249</u>	<u>45,512</u>
Total written down amount	<u>244,234</u>	<u>121,748</u>

Based on valuation (excluding land) by Central Gippsland Valuations - refer note 1 for more details.

Movements in carrying amounts

<i>Building</i>		
Carrying amount at beginning of year	46,870	48,249
Revaluation	123,826	-
Depreciation expense	<u>(1,382)</u>	<u>(1,379)</u>
Carrying amount at end of year	<u>169,314</u>	<u>46,870</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	11,866	9,024
Additions	4,105	4,187
Depreciation expense	<u>(1,800)</u>	<u>(1,345)</u>
Carrying amount at end of year	<u>14,171</u>	<u>11,866</u>
<i>Furniture & Fittings</i>		
Carrying amount at beginning of year	45,512	54,130
Additions	9,135	2,264
Less depreciation expense	<u>(11,398)</u>	<u>(10,882)</u>
Carrying amount at end of year	<u>43,249</u>	<u>45,512</u>

	2008	2007
	\$	\$
9. Intangible Assets		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less accumulated amortisation	(54,219)	(52,214)
	<u>5,781</u>	<u>7,786</u>
10. Payables		
Trade creditors	27,064	37,825
Accrued audit fee	2,700	2,700
	<u>29,764</u>	<u>40,525</u>
11. Provisions		
Employee benefits	<u>12,121</u>	<u>16,449</u>
Number of employees at year end	<u>4</u>	<u>5</u>
12. Share Capital		
Ordinary shares fully paid of \$1 each	<u>450,009</u>	<u>450,009</u>
13. Asset Revaluation Reserve		
Asset revaluatoin reserve #	<u>123,826</u>	<u>-</u>
# Based on valuation (excluding land) by Central Gippsland Valuations - refer note 1 for more details.		
14. Retained Earnings/(Accumulated Losses)		
Balance at the beginning of the financial year	(105,019)	(104,818)
Dividends paid	(27,001)	(22,500)
Profit after income tax	56,974	22,299
Balance at the end of the financial year	<u>(75,046)</u>	<u>(105,019)</u>
15. Cash Flow Statement		
<i>(a) Reconciliation of cash</i>		
Cash assets	3,318	22,984
Deposit at call	244,258	200,598
	<u>247,576</u>	<u>223,582</u>

	2008 \$	2007 \$
15. Cash Flow Statement (continued)		
<i>(b) Reconciliation of profit after tax to net cash from/(used in) operating activities</i>		
Profit after income tax	56,974	22,299
Non cash items		
- depreciation	14,580	13,606
- amortisation	2,005	2,000
Changes in assets and liabilities		
- (increase) decrease in receivables / prepayments	(8,303)	(960)
- increase (decrease) in payables	(10,761)	(14,065)
- increase (decrease) in provisions	(4,328)	(403)
- increase (decrease) in income tax payable / (refundable)	14,068	(21,949)
Net cashflows from operating activities	<u>64,235</u>	<u>528</u>

16. Director and Related Party Disclosures

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

Mr Alan Broadbent
Mr David Graham
Mr Eric Underwood
Mrs Michele Ripper
Mrs Anne Hellyer
Mr Keith Borthwick
Mr Martin Swanson
Mr David Wadey
Ms Sarah Bardsley
Mr Donald Kube

No related party transaction occurred during the year.

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

16. Director and Related Party Disclosures (continued)

Directors shareholdings	2008	2007
Mr Alan Broadbent	10,001	10,001
Mr David Graham	5,001	5,001
Mr Eric Underwood	10,000	10,000
Mrs Michele Ripper	1,000	1,000
Mrs Anne Hellyer	-	-
Mr Keith Borthwick	1,001	1,001
Mr Martin Swanson	5,000	5,000
Mr David Wadey	-	-
Ms Sarah Bardsley	10,000	-
Mr Donald Kube	4,000	4,000

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

17. Subsequent Events

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

18. Contingent Liabilities

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

19. 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.

20. 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

21. Dividends paid or provided for on ordinary shares	2008	2007
	\$	\$
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 6 cents per share (2007: 5 cents)	<u>27,001</u>	<u>22,500</u>
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 7 cents per share (2007: 6 cents)	<u>31,501</u>	<u>27,001</u>
(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%	19,344	24,756
- Franking credits that will arise from the payment of income tax payable / (refundable) as at the end of the financial year	<u>11,668</u>	<u>(2,400)</u>
	<u>31,012</u>	<u>22,356</u>

The tax rate at which dividends have been franked is 30% (2007: 30%).

22. 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>56,974</u>	<u>22,299</u>
Weighted average number of ordinary shares for basic		
and diluted earnings per share	<u>450,009</u>	<u>450,009</u>

23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal and external audit function.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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. The Company's maximum exposure to credit risk at reporting date was:

	<u>Carrying Amount</u>	
	<u>2008</u>	<u>2007</u>
	\$	\$
Cash assets	247,576	223,582
Receivables	52,515	43,318
	<u>300,091</u>	<u>266,900</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

23. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2008					
Payables	29,764	(29,764)	(29,764)	-	-
	<u>29,764</u>	<u>(29,764)</u>	<u>(29,764)</u>	<u>0</u>	<u>0</u>
30 June 2007					
Payables	40,525	(40,525)	(40,525)	-	-
	<u>40,525</u>	<u>(40,525)</u>	<u>(40,525)</u>	<u>0</u>	<u>0</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying Amount	
	2008	2007
	\$	\$
Fixed rate instruments		
Financial assets	244,258	200,598
Financial liabilities	-	-
	<u>244,258</u>	<u>200,598</u>
Variable rate instruments		
Financial assets	3,318	22,984
Financial liabilities	-	-
	<u>3,318</u>	<u>22,984</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

23. Financial risk management (continued)

(d) 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.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

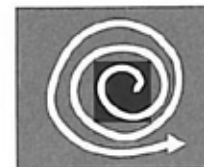
- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement

There were no changes in the Company's approach to capital management during the year.

Richmond Sinnott & Delahunty

Chartered Accountants



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

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

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 2008.

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 established 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.

Woodbury Court, 172 Melvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au

ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

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 2008 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: 11 September 2008

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 of 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 29th August 2008.

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	14,000	3.11%
J Appleyard	10,500	2.33%
A R & A M Broadbent	10,001	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%
G W Horne & S D Bardsley	10,000	2.22%
Total	114,501	25.42%

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:

Fully Paid Ordinary Shares

Range	Number of Holders	Number of Shares	% Issued Capital
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
Total	254	450,009	100.00

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

Notes



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



Bendigo Bank