

Heyfield & District Community Financial Services Limited

ACN 094 854 949

**Heyfield & District
COMMUNITY BANK[®] BRANCH OF BENDIGO BANK LIMITED**

INFORMATION MEMORANDUM

**for an application for admission to the Official List
of the Bendigo Stock Exchange**

IMPORTANT NOTICE

This Information Memorandum, dated 14 February 2005 has been prepared by Heyfield & District Community Financial Services Limited ACN 094 854 949 in connection with its application for listing and quotation of its shares on the Bendigo Stock Exchange. This document is not a prospectus and it will not be lodged with the Australian Securities and Investments Commission under the Corporations Act. It does not constitute or contain any offer of shares for subscription or purchase or any invitation to subscribe for or buy shares.

Bendigo Stock Exchange does not take any responsibility for the contents of this Information Memorandum. The fact that Bendigo Stock Exchange may admit Heyfield & District Community Financial Services Limited to the official list is not to be taken in any way as an indication of the merits of Heyfield & District Community Financial Services Limited.

Shareholders with enquiries about this information should contact Heyfield & District Community Financial Services Limited on (03) 5148 2292.

Table of Contents

Letter from the Chairman of Heyfield & District Community Financial Services Limited

1.	Investment Overview	1
1.1	Purpose of the Information Memorandum	1
1.2	Description of the Listing Process	1
1.3	Capital Structure	1
1.4	Listing on the Bendigo Stock Exchange	2
1.5	Supplementary Information Memorandum	2
2.	Directors	3 - 5
3.	Bendigo Bank Franchise	5
3.1	Bendigo Bank	5
3.2	Community Banking™ Project	6
3.3	Community Interest (Our Beginnings)	7
3.4	Activities of Company	8
3.5	Benefits of Franchise Arrangements	9
3.6	Duration of Franchise	10
3.7	Restrictions on Operations	11
3.8	The Company's Board of Directors	11
4.	Financial information	12
4.1	Profit and Loss Statement: Year ended 30 June 2004	
4.2	Balance Sheet as at 30 June 2004	
5.	Risk factors	12
5.1	Introduction	12
5.2	Investment Risk	12
5.3	Business Risks	15
5.4	Relationship with Bendigo Bank	15
5.5	Other Factors	16
6.	Franchise Agreement	17
7.	Additional Information	19
7.1	Constitution	19
7.2	Rights Attaching to Shares	19
7.3	Prohibited Shareholding Interest	21
7.4	Taxation Implications	22
7.5	Directors' Interests	23
7.6	Disclosure of Interests	24
7.7	BSX Waivers	24
7.8	Consents	26
8.	Definitions	27

HEYFIELD & DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED
(ACN 094 854 949)

This Information Memorandum outlines the existing operations of the Company. The Company operates the Heyfield & District Community Bank[®] Branch of Bendigo Bank. The branch was established as part of the Bendigo Bank Community Banking[™] project, the terms of which are outlined in this document.

I encourage you to read this Information Memorandum closely, so that you understand the nature and prospects of the business.

The Directors will lodge this Information Memorandum with the Bendigo Stock Exchange in connection with the Company's application for listing and quotation of Shares on the Bendigo Stock Exchange. This application is being made in order to facilitate a secondary market for the trade of Shares (subject to the rules regarding share ownership described in the Company's Constitution and this Information Memorandum). Further details are set out in this Information Memorandum.

Our decision to proceed with this application was based on the Directors' belief that the trading of Shares in the Company should take place in an open and transparent market, and that it is in the best interests of the Company to do so.

Yours sincerely,

Alan Broadbent OAM

Chairman, Heyfield & District Community Financial Services Limited

1. Overview

1.1 Purpose of the Information Memorandum

This Information Memorandum has been prepared by the Company in connection with its application for listing, and quotation of its Shares, on the Bendigo Stock Exchange.

Under a Franchise Agreement with Bendigo Bank, the Company has established and manages the Heyfield & District Community Bank[®] Branch of Bendigo Bank as a "franchise" of Bendigo Bank. The franchise arrangements and the business of the Company are described in detail in this Information Memorandum, especially Sections 3 and 6.

Please Note: This document is not a prospectus lodged with the Australian Securities and Investments Commission under the Corporations Act. It does not contain any offer of Shares for subscription or purchase or any invitation to subscribe for or buy Shares. This document relates to the proposed listing of the Company – not Bendigo Bank.

1.2 Description of the Listing Process

Under the BSX Listing Rules, each company applying for listing and quotation of its shares must either issue a prospectus or it must provide to the BSX a listing memorandum containing the information required by the BSX Listing Rules.

1.3 Capital Structure

There are currently 450,009 ordinary shares in the Company on issue. Of these, 450,000 were issued on 4 December 2000 under the Prospectus at an issue price of \$1.00 per Share.

The Company has not raised any capital for the three months before the date of this Information Memorandum and does not need to raise any capital for three months after the date of this Information Memorandum.

The capital structure of the Company is as follows:

	Ordinary Shares
Initial subscriber shares issued to the directors	9
Shares issued pursuant to the Company's Prospectus	450,000
TOTAL	450,009

It should be noted that, pursuant to the Constitution of the Company, each shareholder is entitled to only one vote, regardless of the number of Shares held. The Constitution also prohibits a shareholder from controlling or owning 10% or more of the Company.

The voting rights attaching to Shares and the ownership restrictions are discussed in Sections 7.2(a) and 7.3 below.

The amount of dividends and other distributions to shareholders that the Company may make in any 12 month period is limited by the terms of the Franchise Agreement with Bendigo Bank. You should refer to Section 5.2 of this Information Memorandum for a description of this limit.

1.4 Listing on the Bendigo Stock Exchange

Application will be made for listing of the Company and quotation of the Shares on the Bendigo Stock Exchange. Please see Section 5 of this Information Memorandum for a discussion of the risk factors relevant to quotation of the Shares and Section 7.7 for a discussion of the waivers and confirmations the Company requires from the Bendigo Stock Exchange. Admission to listing, quotation of the Shares and the granting of the necessary waivers and confirmations sought is at the absolute discretion of the Bendigo Stock Exchange, and so there is no guarantee that they will occur. Other risks associated with acquiring Shares in the Company are discussed in Section 5.

1.5 Supplementary Information Memorandum

A Supplementary Information Memorandum will be issued if, between the issue of this Information Memorandum and the date the Shares are quoted, the Company becomes aware that:

- a material statement in this Information Memorandum is false or misleading;
- there is a material omission from this Information Memorandum;
- there has been a significant change affecting a matter included in this Information Memorandum; or
- a significant new matter has arisen and it would have been required to be included in this Information Memorandum.

2. Directors

Details of the Directors of the Company are as follows:

Name	Alan Robert Broadbent OAM
Date of Birth	3 December 1932
Occupation	Motel Proprietor / Farmer
Background Information	Heyfield resident and has an association with a number of Heyfield organisations including past president of Heyfield & District Bush Nursing Hospital Inc.
Resides	RMB 4150, Rosedale Road, Heyfield, Vic, 3858

Name	Dean Stoddart
Date of Birth	2 July 1953
Occupation	Self Employed Electrical Contractor
Background Information	Dean has operated his electrical business for 24 years. He has been a member of the Macalister Water Board for 14 years and is involved with a number of Heyfield groups.
Resides	37 Temple Street, Heyfield, Vic 3858

Name	Keith Alexander Borthwick
Date of Birth	14 November 1951
Occupation	Solicitor
Background Information	Keith is a partner in the law firm Semmens Hatch & Anderson. He has practiced as a solicitor in Heyfield for 23 years and is an affiliate member of the Chartered Secretaries of Australia.
Resides	Lot 2, Willung South Road, Gormandale, Vic 3873

Name	David Vernon Graham
Date of Birth	8 June 1962
Occupation	Business Proprietor
Background Information	David operates a timber and hardware business in Heyfield, as well as a MotorBike Franchise in Sale .
Resides	235 Angle Channel Road, Heyfield, Vic 3858

Name	Michael James Gahan
Date of Birth	23 May 1966
Occupation	Accountant
Background Information	Michael has practiced accounting for 18 years and is a partner in the Accounting firm Tyrrell Partners. He is a member of the local Hospital Board as well as other local organisations.
Resides	3 Fawaz Road, Seaton, Vic 3858

Name	Eric Underwood
Date of Birth	14 May 1939
Occupation	Retired
Background Information	Retired Manager of Bus Line Company after serving nearly 30 years with General Motors Dealership. Initial & current member of newly formed RTC centre.
Resides	RMB 1325, Old Jones Road, Heyfield, Vic 3858

Name	Keith Walter Vardy
Date of Birth	11 May 1941
Occupation	Farmer/Grazier
Background Information	Local farmer for over 40 years with many current memberships including VFF and is active in the Rural Fire Brigade.
Resides	RMB 1715, Glenmaggie Seaton Road, Seaton, Vic 3858

Name	Helen Margaret Hoppner
Date of Birth	30 September 1949
Occupation	Hotelier
Background Information	Currently own & operates Cowwarr Hotel. Former City of Latrobe Councilor and involved in many community organisations.
Resides	Lot 1 Main Street, Cowwarr, Vic 3857

3. Bendigo Bank Franchise

3.1 Bendigo Bank

Bendigo Bank had its origins on the Bendigo goldfield in 1858 when the settlement comprised thousands of makeshift tents and humpies clustered along the gold bearing gullies. Disturbed by the temporary and unsightly nature of these dwellings, a group of prominent citizens banded together to foster a sense of civic pride by providing finance for miners wishing to own their own homes. Thus was born the Bendigo Land and Building Society, which immediately began financing humble miners' cottages, some of which remain in the city today.

Within 30 years, Bendigo had established itself as one of the most gracious Victorian era cities in the world, its grand public buildings a monument to the vast riches produced by the deep reef miners.

As Bendigo prospered, so did its building society, which rapidly established a reputation for prudent financial management and ethical dealing. While other societies came and went, the Bendigo Land and Building Society grew steadily, declaring a profit in each year of its operation, even through the crises of the 1890s and 1930s Depressions.

Bendigo Bank converted to a bank on 1 July, 1995, at which time it was Australia's oldest and Victoria's largest building society.

The past 20 years have seen Bendigo Land and Building Society, now Bendigo Bank, grow quickly and in the process merge with a number of other firms and building societies: the Bendigo and Eaglehawk Star (1978), Sandhurst (1983), Sunraysia (1985), Capital (1992) and Compass (1992), trustee company Sandhurst Trustees (1991), mortgage securitisation firm National Mortgage Market Corporation (1995) and Monte Paschi Australia Limited (1997). Sandhurst Trustees, National Mortgage Market Corporation and Monte Paschi (now Cassa Commerciale) are wholly-owned subsidiaries of Bendigo Bank. Bendigo Bank also operates a joint venture, with Elders Limited, called Elders Rural Bank. This joint venture is aimed at bringing banking services to farmers throughout Australia. In October 2000, Bendigo Bank acquired the Queensland-based First Australian Building Society.

The Bendigo Group now operates (itself and through franchises) approximately 292 branches and has assets of around \$9 billion. It is listed on the Australian Stock Exchange and is the only Australian bank with headquarters outside a capital city. Through Bendigo Bank and its subsidiary companies, the Bendigo Group provides a wide range of products including commercial mortgages and unsecured loans, investment products insurance and superannuation.

3.2 Community Banking™ Project

Bendigo Bank developed its Community Bank® project in response to the continuing closure of bank branches across Australia, and the subsequent effects on disenfranchised communities.

Community Bank® is a means by which communities with the will and enthusiasm can enhance their future prospects by securing a conduit to the finance system.

The aims of the Community Bank® project are threefold:

- to secure branch banking services for participating communities;
- to help these communities better manage locally-generated capital, and so provide them with a better return on their capital; and
- to enable participating communities to share in revenues generated from their Community Banking™ enterprise.

Community Bank® draws on the greatest strength communities possess – their parochialism.

Through the potential to share in branch revenues, communities have the opportunity to generate profits which can be returned to support and develop the community via dividends to participating shareholders and through projects identified and agreed to by the community.

The Community Bank® project does this by providing communities with the opportunity to manage a community-owned branch of Bendigo Bank. It supposes that ownership of this management right provides local residents and businesses with a powerful incentive to conduct their financial affairs through their own local bank branch, thereby maximising revenue potential for the local enterprise.

Each branch operates as a franchise of Bendigo Bank, using the name, logo and system of operations of Bendigo Bank. The franchisees manage the Community Bank® Branches on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank® Branches are effectively conducted between the customers and Bendigo Bank.

To date, Bendigo Bank has granted 143 to Community Bank® Branches, located in places such as Avoca, Bayswater, Bellarine Peninsula, Carrum Downs, Coleambally, East Gosford, East Malvern, Elwood, Goomalling, Henty, Kulin, Laverton, Maldon, Minyip and Rupanyup (combined franchise), Nathalia, Neerim South, Parkdale, Tambellup and Cranbrook (combined franchise), Toodyay, Toora, Upwey, Virginia, Warburton and Wentworth. Bendigo Bank has also granted a number of commercial franchises.

3.3 Community Interest (Our Beginnings)

A significant amount of work and public consultation was undertaken in relation to the feasibility of establishing the Heyfield & District Community Bank[®] Branch of Bendigo Bank.

Following initial community interest in 1999, an original community company entered into arrangements with members of the Bendigo Group pursuant to which it acquired rights to manage a Community Bank[®] Branch of Bendigo Bank at Heyfield. On 15 May 2001, the Heyfield & District Community Bank[®] Branch of Bendigo Bank was opened.

Regulation of Franchising

The relationship between Bendigo Bank and the Company as franchisor and franchisee is governed by the Franchising Code of Conduct (**Franchising Code**).

The Franchising Code is a mandatory industry code of conduct for the purposes of Section 51ACA of the *Trade Practices Act 1974 (Cth)* (**TPA**). Section 51AD of the TPA makes a contravention of the Franchising Code a contravention of Part IVB of the TPA.

The Franchising Code requires a franchisor to provide a prospective franchisee with a disclosure document, to enable the prospective franchisee to make a reasonably informed decision about entering into the franchise. The Franchising Code prescribes the information that must be included in the disclosure document. Such a disclosure document was provided by Bendigo Bank to the Company.

The Franchising Code requires that, prior to entering into a franchise agreement with the Company, Bendigo Bank must have obtained from the Company a statement that the Company has received, read and had a reasonable opportunity to understand the Disclosure Document and the Franchising Code and statements as to whether the Company has obtained independent legal, accounting and business advice. The relevant statements were provided to Bendigo Bank by the Company, before the Franchise Agreement was entered into.

Franchise Arrangements

As noted, the Company has entered into a Franchise Agreement with Bendigo Bank that governs the management and operation by the Company of the Heyfield & District Community Bank[®] Branch of Bendigo Bank.

The key features of the Franchise Agreement between the Company and Bendigo Bank are described below and in Section 6 of this Information Memorandum.

3.4 Activities of Company

Branch

The Company operates the Heyfield & District Community Bank[®] Branch at 54 - 56 Temple St, Heyfield VIC.

Heyfield & District Community Bank[®] Branch is open from Monday to Thursday 9.30 a.m – 4.00 p.m, Friday 9.30 a.m – 5.00 p.m and Saturday 9.00 a.m – 12.00 p.m.

Manager and Employees

The Company employs a Branch Manager and 4 other staff. Each of these staff members has received Bendigo Bank training.

Products and Services

The Company provides a core range of products and services at the Branch, as determined by Bendigo Bank from time to time.

The products and services include the following:

- *deposit business*, for example, ultimate accounts, term deposits, "Money Extra", classic accounts, investment accounts and specialised rural accounts;
- *personal bank products and services*, for example, credit and debit cards, insurance and financial planning;
- *loans and lending products*, for example, home loans, investment loans, home equity loans, leasing, commercial loans, farm loans and personal loans;
- *investment products*, such as superannuation, Sandhurst Select products and common fund and tax-based savings products; and
- *cash and cheque facilities*, delivered through electronic means and ATM services.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the Company facilitating the provision of those products.

All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The products and services available to be offered through the Heyfield & District Community Bank[®] Branch by the Company are not necessarily the same and may not be the same as those offered by other Bendigo Bank branches or franchises. However, the Company endeavours to ensure that the products and services offered will be appropriate for the requirements of its customers.

The Franchise Agreement provides for three types of revenue that may be earned by the Company.

First, the Company is entitled to 50% of the monthly gross margin earned by Bendigo Bank on products and services provided through the Company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the Company effectively incurs 50% of that loss.

The second source of revenue for the Company is commission paid by Bendigo Bank on the other products and services provided through the Company (ie 'commission business').

The third source of revenue is that the Company may be entitled to a proportion of the fees and charges (that is, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion (if any) is determined by Bendigo Bank, may vary between products and services and may be amended by Bendigo Bank from time to time.

3.5 Benefits of Franchise Arrangements

Name, Logo and Systems

As part of the franchise arrangements with Bendigo Bank, Bendigo Bank grants the Company the right to use its name, logo and system of operations and other relevant intellectual property rights including the trademarks "Community Bank" and "Community Banking" for the purpose of managing the Community Bank[®] Branch of Bendigo Bank. To the extent that it is able, Bendigo Bank also gives the Company reasonable access to all information and technology created or obtained by Bendigo Bank in connection with other franchises.

The Company has the benefit of all general advertising and promotions undertaken by Bendigo Bank, in addition to the local promotional activities undertaken by the Company itself (in accordance with the controls set out in the Franchise Agreement).

Assistance and Advice

Bendigo Bank provided significant assistance to the Company in establishing and maintaining the Community Bank[®] Branch. Bendigo Bank will continue to provide ongoing management operation and support, and other assistance and guidance in relation to all aspects of these Branches, including advice in relation to:

- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Non-exclusive Franchise

The franchise granted under the Franchise Agreement is a non-exclusive franchise. That is, any member of the Bendigo Group is able to carry on any business (including the granting of franchises) anywhere. Further, Bendigo Bank (for example, through branches), any related body corporate of Bendigo Bank

and any Bendigo Bank franchise are entitled to be located anywhere and to market to, or deal with, persons located anywhere.

Similarly, although the Community Bank Branch[®] can only be carried on by the Company from a location or locations approved by Bendigo Bank, the Company is entitled to market to, or deal with, persons located anywhere.

3.6 Duration of Franchise

Bendigo Bank granted the Company the franchise in respect of the Heyfield & District Community Bank[®] Branch. Of these initial terms, 17 months remain in relation to the Heyfield & District Community Bank[®] Branch. Pursuant to the Franchise Agreement, the Company may seek to extend the term of each franchise for (in total) two additional five year terms. A request to extend the term of a franchise must be made between 3 and 6 months prior to the end of the then existing term. Bendigo Bank must agree to extend the term provided that the Company:

- is not in breach of the Franchise Agreement;
- secures continued rights to possession and use of each location from which the Branch is being conducted for the renewal period, and refurbishes each such location to the then current standards of Bendigo Bank franchises;
- provides the relevant statement required under the Franchising Code; and
- pays the Renewal Fee under the Franchise Agreement and Bendigo Bank's costs of renewing the Franchise Agreement.

Bendigo Bank has the ability to assign or novate its rights and obligations under the Franchise Agreement at any time. However, Bendigo Bank must not assign its obligations (without the consent of the Franchisee) unless the proposed assignee is either a related body corporate of Bendigo Bank, a person whose business includes the provision of financial services (and it is reasonable to expect that the person will be able to comply with its obligations under the Franchise Agreement) or a person who has entered into arrangements with Bendigo Bank and/or any of the foregoing, so as to enable that person to comply with its obligations under the Franchise Agreement. In any event, any assignee would have to continue to perform Bendigo Bank's obligations under the Agreement.

The Company may only dispose (in any way) of, or otherwise effect or permit a change of control or ownership of, the franchise, the Company or the Company's interest in the franchise, the Franchise Agreement, a franchise or the branch location with the prior written consent of Bendigo Bank and with the payment of a Transfer Fee to Bendigo Bank.

Bendigo Bank also has a pre-emptive right over the sale, transfer or disposal of the Company's interest in the franchise, or a Branch location.

The consequences of the termination of the franchise are discussed in Section 5.2 below.

3.7 Restrictions on Operations

Sole Purpose Company

The Franchise Agreement provides that, subject to the ability to provide ancillary services (see below), the Company must not carry on any business other than managing and operating the Heyfield & District Community Bank[®] Branch of Bendigo Bank and it must not own or use any assets, or incur any liabilities, other than those directly associated with the franchise operation.

Competition Restrictions

The Company is also subject to covenants that restrict its activities both during the term of the franchise, and for a further three years after the franchise has terminated.

Pursuant to these covenants (contained in the Franchise Agreement), the Company must not (except in managing and operating the Community Bank[®] Branches under the Franchise Agreement):

- have any interest in an entity carrying on business that is substantially the same as that conducted by Bendigo Bank through its franchises, or is in competition with Bendigo Bank in relation to that business;
- seek to attract any customers or employees from Bendigo Bank or any of its franchisees; or
- otherwise interfere with the business being conducted by Bendigo Bank.

Similar restrictions apply to the Directors of the Company.

Bendigo Bank Involvement

Bendigo Bank retains a tight control over the day to day operations of the Company, including the provision by the Company to Bendigo Bank of regular and detailed reports. Bendigo Bank also has the right to inspect or audit the franchise records.

In particular, as noted above, the products and services supplied through the Company are determined by Bendigo Bank. As described in Section 3.4 above, all credit transactions must be approved by Bendigo Bank.

Further, the Company must only use Bendigo Bank's intellectual property (including its trademarks) licensed to the Company under the Franchise Agreement in accordance with the guidelines provided by Bendigo Bank.

3.8 The Company's Board of Directors

The management and control of the business and affairs of the Company is the responsibility of the Board of Directors. Under the terms of the Constitution, one third of the Directors (other than an 'exempt' Managing Director – if any) are required to retire at each annual general meeting (other than the Company's first annual general meeting). A retiring Director is eligible for re-election.

4. Financial information

The accounts attached at the back of the Information Memorandum are an extract of the Company's audited financial reports for the year ended 30 June 2004. This historical financial information is included for information purposes only. Past performance is not an indicator of future performance. No assurance or representation is given in relation to the future performance of the Company.

5. Risk factors

5.1 Introduction

There are a number of factors which might have a significant impact on the future performance of the Company. An investment in the Company is not guaranteed by Bendigo Bank.

Particular investment risks arise due to the specific purpose for which the Company was established, that is, to manage a Community Bank[®] Branch of Bendigo Bank pursuant to a Franchise Agreement with Bendigo Bank.

An investment in the Company is also affected by the business risks to which the Company will be subject, which may affect the success of the Company and, accordingly, its ability to pay dividends and its ongoing operation.

The following Sections highlight some of the key risks associated with an investment in the Company. There may also be other risks.

5.2 Investment Risk

Dividends

The Directors intend that any profits of the Company will, as a general rule, be applied at the discretion of the Directors in one or more of the following ways:

- in payment of dividends to shareholders (subject to the limit described below);
- towards community or charitable projects as determined by the Directors from time to time; or
- as working capital.

The timing and payment of dividends is dependent on many factors, which affect future profits and the financial position of the Company. Dividends will be determined by the Directors according to actual results, financial position, capital requirements, operating costs and economic conditions at the time. There will also be an assessment by the Directors of the needs of any worthwhile community or charitable projects. Further, in recognition of the aims of the Company to deliver social and economic benefits to the community (in addition to, if possible, a return to shareholders), the Company has agreed that in any 12 month period, the aggregate of the profits or funds of the Company distributed to shareholders (whether by way of dividends, bonus shares or otherwise) must

not, except in the case of a winding up, exceed the Distribution Limit. The Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Company 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 over that 12 month period (as determined by Bendigo Bank in consultation with the Company). The Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period (as determined by Bendigo Bank) plus 5%.

Of course, the actual amounts distributed to shareholders may be less than the Distribution Limit.

To date, the company has paid dividends as follows:

Nil.

Past performance is not an indicator of future performance. There is no guarantee that any dividends will be paid in the future.

Trading in Shares

The Company was established to provide community members with the opportunity to contribute to the establishment and ongoing operations of a Community Bank[®] Branch of Bendigo Bank. The community nature of the Company is reflected in the provisions of its Constitution relating to voting rights and limits on shareholding interests (see Sections 7.1 to 7.3 below).

Because of the community based nature of the Company, it is not envisaged that there will be significant trade in shares in the Company. Accordingly, there may be limited opportunities for members to recoup their investment in the Company by disposing of their Shares.

In particular, while the Directors intend to apply for listing, and quotation of the Shares, on the Bendigo Stock Exchange, granting of these applications (and of the waivers and confirmations required by the Company, as discussed in Section 7.7 below) is at the discretion of the Bendigo Stock Exchange. They may either not be granted at all or alternatively may be granted subject to conditions that are not satisfactory to the Company. In either case, listing and quotation may not proceed. Further, as listing and quotation impose additional obligations and costs on the Company, it is possible that in the future, the Directors will form the view that listing and quotation is no longer in the best interests of the Company.

Even if listing and quotation occur, it is not anticipated that an active market for trading of the Shares will develop. If the market for the Shares is not liquid, it is possible that the market price of the Shares may not reflect the true underlying value of the Company.

Further, the market price of the Shares will fluctuate due to various factors, including general movements in the Australian equity market (which, in turn, is

influenced by the international equity markets), investor perceptions, local and worldwide economic conditions, movements in interest rates and specific factors affecting the performance and financial position of the Company and its business.

In addition, in the case of many companies listed on a stock market, it is possible that their share price may include a “control premium” to reflect the fact that a person may wish to acquire sufficient shares in the company to gain control of the company and, to do so, the acquirer would need to pay a premium above the underlying share price. It is unlikely that such a premium will be present in the case of the Shares (or will be paid by an acquirer), given the restrictions on share ownership in the Constitution and the fact that a change of control of the Company may trigger a termination of the Franchise Agreement.

It is possible that the market price of the Shares may be lower than the issue price under the Offer or otherwise may not reflect the true underlying value of the Company or its performance. Whilst this risk applies to all investments in any securities on any stock market, it applies particularly so here given the community nature of the Company (for example, the restriction on dividend payments), the limitations on share ownership, the restrictions on the business activities of the Company and the likelihood of an illiquid market.

Termination of Franchise

The Franchise Agreement provides for a maximum possible term for each franchise of 15 years (see Section 3.6 above), after which the continued operation of each Community Bank[®] Branch will be subject to further negotiations with Bendigo Bank. Bendigo Bank also has broad rights to terminate the Franchise Agreement or a franchise (see Section 6 below), in particular, if a Community Bank[®] Branch is not profitable. If the Franchise Agreement itself is terminated, the franchise would also terminate.

The Company is not entitled to any payment upon termination of the Franchise Agreement or of any franchise, though it would be entitled to the net proceeds of the sale or transfer of a franchise if, at its discretion, Bendigo Bank proceeded with such a sale or transfer after termination (see Section 6 below).

There are no restrictions on where Bendigo Bank (or any of its related bodies corporate or other Bendigo Bank franchisees) may carry on business or be located (either before, during or after the term of the Franchise Agreement – see Section 3.7 above).

On the expiration or earlier termination of the Franchise Agreement, the Company is prohibited from carrying on a substantially similar business for three years.

There are also restrictions on the ability of the Company to dispose of its rights in the franchise, the Franchise Agreement or a branch location (see Section 3.6 above).

5.3 Business Risks

Sole Purpose Company

The Company is essentially a sole purpose company.

Subject to the ability to provide ancillary services that have been approved by Bendigo Bank, the Company's only business is managing a Community Bank[®] Branch of Bendigo Bank.

Level of Banking Business

Although all transactions conducted through the Branch are conducted with Bendigo Bank, the effect of the gross margin sharing arrangement (as described in Section 3.4) is that the Company bears the risk of generating sufficient income from the banking business to derive a profit.

The ability of the Company to generate new business is subject to factors beyond the control of the Company.

The level of banking business conducted through the Heyfield & District Community Bank[®] Branch is affected by general economic conditions, in particular, the effect of interest rate movements on the interest rates offered by Bendigo Bank.

As part of the Community Bank[®] concept, the Heyfield & District Community Bank[®] Branch was established, in part, given the level of banking facilities then available. It should be recognised that the Company faces competition from other financial service providers (including, possibly, other branches and franchises of Bendigo Bank) whether located in Heyfield & District or in nearby communities or that are able to deliver such services remotely (for example, through the internet or over the phone). It is also possible that, in the future, other financial service outlets could seek to open in Heyfield & District.

Branch Operations

Like any small business, the Branch Manager and employees have a key role in the success of the Community Bank[®] Branch. The Manager and employees are responsible for promoting the Branch, and providing a level of service and support that will engender ongoing relationships with customers. The ability of the Manager to communicate effectively with representatives of Bendigo Bank, and represent the interests of the Branch, is critical to the smooth operation of the Branch.

Although all deposits made through the Heyfield & District Community Bank[®] Branch are transferred to Bendigo Bank, the Company bears the risk of implementing procedures for handling and transferring such deposits.

5.4 Relationship with Bendigo Bank

Success of Bendigo Bank

The Heyfield & District Community Bank[®] Branch operates under the Bendigo Bank name and (subject to any ancillary services that may be approved by Bendigo Bank) only provide Bendigo Bank products and services.

Accordingly, the success of the Company is, to a significant degree, dependent on the standing and success of Bendigo Bank.

The products and services provided through the Company, and the income that Bendigo Bank (and, accordingly, the Company) is able to earn on those products and services, will be subject to the competitive pressures facing Bendigo Bank generally and the impact of economic conditions and other factors on the business of Bendigo Bank.

Approvals

As described in Section 3.7 above, many of the Company's business decisions (including the products and services made available, the annual budgets and the credit business generated through the branch) are subject to the approval of Bendigo Bank.

It is clear that the Company and Bendigo Bank have a common interest in the success of the Company. However, as noted above, communication between the Company and Bendigo Bank will be critical to ensuring that Bendigo Bank understands the particular requirements of each Community Bank[®] Branch and decisions in respect of the branch operations are made accordingly.

Bendigo Bank Claims

Pursuant to a broad indemnity in the Franchise Agreement, the Company is responsible for certain claims made against Bendigo Bank in connection with the operation of the Community Bank[®] Branch (see Section 6).

5.5 Other Factors

Regulatory Environment

Although the Company does not carry on banking business, by managing a Community Bank[®] Branch of Bendigo Bank it effectively is subject to the regulatory environment in which Bendigo Bank operates. In particular, decisions of APRA that affect Bendigo Bank may also have an impact on the business conducted by the Company.

Economic Conditions

As noted above, the Company's business will be affected by changes in economic conditions both directly and indirectly through the effect such changes may have on Bendigo Bank. Relevant factors include market growth, inflation, movements in interest rates and exchange rates and the level of loan defaults.

Government Policies and Legislation

The Company's business may be affected by changes to government policies, including those relating to prudential supervision, taxation and regulation of financial services industries. Again, such changes may affect the Company directly or indirectly as a result of their impact on Bendigo Bank.

6. Franchise Agreement

The Franchise Agreement establishes the relationship between the Company and Bendigo Bank, and sets out the parameters within which the Company must operate. The Franchise Agreement defines the business conducted by the Company and, accordingly, is critical to an assessment of the Company.

The provisions of the Franchise Agreement have been described in detail in Sections 3 and 5 of this Prospectus.

The following is a brief summary of the key provisions of the Franchise Agreement.

Grant of Rights

Bendigo Bank grants the Company the right to use Bendigo Bank's system of operations and certain intellectual property rights to manage and operate the Heyfield & District Community Bank[®] Branch.

Term

The initial term of the Franchise in respect of the Heyfield & District Community Bank[®] Branch is five years (see Section 3.6). In respect of each Franchise, provided certain conditions are met at the end of each five year term, at the request of the Company, Bendigo Bank will extend the term of the Franchise for a maximum of two further five year terms (see Section 3.6).

Branch Operations

There are strict controls on the Company in relation to the operations of the Community Bank[®] Branch. In particular, the Company must only offer the products and services specified by Bendigo Bank, it must comply with Bendigo Bank's promotions, it (and its staff) must comply with the operating manuals supplied by Bendigo Bank, it must seek the prior approval of Bendigo Bank to its promotional activities and material, public communications, signs and stationery, and there are tight controls over the use of Bendigo Bank's intellectual property.

Payments/Receipts

The Company is responsible for all ongoing costs in relation to the Branch and the Branch location (including, for example, all staff costs, rent, outgoings and insurance).

For each Franchise, or each additional five year period, the Company must pay a Renewal Fee, the reasonable costs of training to be provided by Bendigo Bank to the Company's employees and the costs of Bendigo Bank of renewing the Franchise (including legal fees).

The revenue the Company is entitled to receive is described in Section 3.4 above.

You should refer also to Section 5.2 of this Information Memorandum or a description of the limit, contained in the Franchise Agreement, on distributions by the Company to its shareholders.

Indemnity

The Company indemnifies Bendigo Bank against all third party claims that may be brought against Bendigo Bank in connection with the conduct of the franchise or the franchise operations (ie the management of the Community Bank[®] Branch), the activities of the Company or its employees at or near the Community Bank[®] Branch premises and any other unauthorised act, default, dishonesty, negligent act or omission or fraudulent conduct of the Company or any of its officers, employees or agents.

Bendigo Bank indemnifies the Company against all third party claims that may be brought against the Company to the extent that such claims result from a misleading or deceptive statement in, or a misleading or deceptive omission from, the products or services specified by Bendigo Bank to be offered to customers, certain actions by employees of Bendigo Bank or any related promotional materials or manuals supplied by Bendigo Bank. Other potential liability on Bendigo Bank is, to the extent permitted, excluded.

Termination

Bendigo Bank may terminate the Franchise Agreement in various circumstances, including if:

- the Company breaches the Franchise Agreement;
- the Company engages in fraudulent or dangerous conduct, becomes insolvent or fails to pay its debts on time;
- the Company is convicted of a "serious offence" (as defined under the Franchising Code) or, without limiting the foregoing, the Company or any member of Staff, is convicted of an offence where, in the reasonable opinion of Bendigo Bank, that conviction materially and adversely affects Bendigo Bank and/or the name, goodwill or good reputation of the franchise, Bendigo Bank's system of operations or other Bendigo Bank franchises;
- the Company carries on the franchise in a manner that harms or adversely affects, or may harm or adversely affect materially, the good name, goodwill or good reputation of Bendigo Bank, Bendigo Bank's business, the franchise, Bendigo Bank's system of operations or other Bendigo Bank franchises, including if the Company (or its staff) engage in misleading or deceptive conduct;
- the Company takes (or omits) to take an action that, under the Franchising Code, permits Bendigo Bank to immediately terminate the Franchise Agreement (eg the Company abandons the branch, carries it

on in a way that endangers public health or safety or agrees to terminate the Franchise Agreement);

- the Company operates the business from a location not previously approved by Bendigo Bank;
- there is, without Bendigo Bank's prior written consent, a change in the underlying ownership or control of the Company, the franchise, or the Company's interest in the Franchise Agreement or a Branch location (this can be deemed to occur for certain changes to the Directors of the Company or if the Company's control/ownership limit is breached - see Section 7.3 below);
- the Manager of a Community Bank[®] Branch becomes unable to perform his or her duties for an extended period, without suitable replacement;
- a Community Bank[®] Branch is not profitable; or
- there is an amendment to, renewal of, or alteration of the effect of, a rule or clause of the Company's constituent documents, without the approval of Bendigo Bank.

The Company may terminate the Franchise Agreement if Bendigo Bank materially breaches the Franchise Agreement.

The procedures for termination (either by Bendigo Bank or by the Company) are set out in the Franchise Agreement.

In certain circumstances, where there has been a breach of the Franchise Agreement by the Company, the right to carry on the franchise is suspended until the breach is rectified or the Franchise Agreement is terminated.

Upon termination of the Franchise Agreement, there is no obligation on Bendigo Bank to sell or transfer the franchise. However, if such a sale or transfer did proceed, the Company would be entitled to the proceeds received (less the costs of the sale or transfer and certain debts owed by the Company, if any).

7. Additional Information

7.1 Constitution

The rights attaching to Shares (Section 7.2) and the prohibition on shareholding interest (Section 7.3) set out in the Company's Constitution are summarised below.

7.2 Rights Attaching to Shares

The Shares are fully paid ordinary shares.

Set out below is a summary of the principal rights attaching to the Shares.

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting. On a show of hands or a poll, each person present as

a member, attorney, corporate representative or by proxy, has one vote, regardless of the number of Shares held.

The purpose of the limitation on voting rights is to reflect the nature of the Company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank[®] Branch have the same ability to influence the operation of the Company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The Franchise Agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. You should refer to Section 5.2 of this Prospectus for a description of this limit. There is also a restriction on the payment of dividends to certain shareholders if they breach the 10% share owning limit (see Section 7.3 below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares. For example, the Directors may refuse to register a transfer that would result in a shareholder holding a prohibited shareholding interest (see Section 7.3 below). Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's Constitution, the Corporations Act and the rules of the Bendigo Stock Exchange.

The Directors understand that, if the Shares are quoted on the Bendigo Stock Exchange, it is likely that brokers may require a statutory declaration from the transferee confirming that the transfer will not breach any of the shareholding ownership restrictions that apply (see Section 7.3 below).

(d) Winding up

If the Company is wound up, then subject to any special or preferential rights attaching to any class of shares, shareholders will be entitled to participate in any surplus assets of the Company in proportion to the capital paid up on their shares when the winding up begins.

If the assets available for distribution amongst shareholders are insufficient to repay the whole of the paid up capital, then those assets will be distributed in proportion to the capital paid up on shares when the winding up begins.

Notwithstanding the above, if the Company is wound up, the liquidator has the discretion to divide among all or any of the shareholders in specie or in kind any part of the Company's assets. The division may be carried out as the liquidator thinks fit, subject to the right of any shareholder

prejudiced by the division to dissent. Any dissenting shareholder has ancillary rights as if the determination made by the liquidator were a special resolution passed under the Corporations Act relating to the transfer of the Company's assets by a liquidator in a voluntary winding up (see, in particular, Chapter 5 of the Corporations Act, especially section 507).

7.3 Prohibited Shareholding Interest

A member is prohibited from controlling or owning 10% or more of the shares in the Company (a "prohibited shareholding interest").

Similarly to the voting rights, the purpose of this shareholding limit is to reflect the community based nature of the Company, by ensuring that the Board can prevent ownership of the Company being concentrated in the hands of a small number of community members.

In summary, a person will be deemed to own the shares in the Company in which the person has a relevant interest and the shares in which the person's associates have a relevant interest. (The terms 'relevant interest' and 'associate' have the same meaning as in the Corporations Act, subject to some modifications as set out in the Company's Constitution). Also, a person is deemed to control the votes that the person, and the person's associates, can cast or control the casting of on a resolution to elect a director of the Company.

The effect of these definitions is that, for example, if the aggregate of the shares owned (legally or beneficially) by a person plus the shares owned (legally or beneficially) by members of the person's immediate family, equal or exceed 10% of the shares in the Company, the person has a prohibited shareholding interest. Similarly, if the votes a person can control the casting of on a resolution to elect a director, plus the votes that members of the person's immediate family can control the casting of on such a resolution, equal or exceed 10% of the votes that could be cast by all shareholders on such a resolution, that person has a prohibited shareholding interest. A person's "immediate family" includes a person's spouse, defacto spouse, parent, son, daughter, brother or sister or a spouse or defacto spouse of any of the preceding persons.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a relevant interest in excess of 10% of the Company, are suspended.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of Shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified Shares on behalf of that person. The holder will be entitled to the consideration

from the sale of the Shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

In the Constitution, members acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

7.4 Taxation Implications

The following is intended only as a general summary and does not purport to be a complete statement of all tax consequences that may be relevant to the issue of ordinary shares in the Company. The taxation implications of investing in the Company may vary depending on the individual circumstances of investors. The information provided is a brief explanation of the potential taxation implications for Australian resident investors.

All investors should consult their adviser about the taxation implications of investing in the Company relevant to their own particular circumstances.

An acquisition of ordinary shares by a resident of Australia will be an acquisition for capital gains tax (**CGT**) purposes.

A resident of Australia may be assessed in respect of a net capital gain for CGT purposes on disposal of their ordinary shares.

Generally, a net capital gain is determined by reference to the excess (if any) of the consideration received for the ordinary shares over the cost base of the ordinary shares. The amount of the excess will constitute the amount of capital gain unless the investor is entitled to a CGT discount, which is only available to individuals, superannuation funds and, in certain situations, trust investors. The CGT discount is calculated as follows. In the case of an investor who holds their shares for at least 12 months after the date of acquisition of the shares, the capital gain will be reduced by 50% (where the investor is an individual) or 33¹/₃% (where the investor is a superannuation fund) in the hands of the investor. In the case of trust investors, the calculation of the CGT discount is complex, and specific advice should be obtained.

Any capital loss (namely the excess of the cost base of the ordinary shares over the consideration received for those shares) with respect to the shares can generally be offset against capital gains realised by the investor in the same year or in later years. However, if there are net capital gains to which the investor is entitled to a CGT discount, any capital losses must be offset against the net capital gains realised by the investor before the CGT discount is applied to the net capital gains.

Certain investors, for example those who carry on business of share trading, may be liable to tax in respect of any profit on the disposal of ordinary shares as ordinary income.

Investors who are resident individual shareholders (or a resident superannuation fund) and who receive dividends from the Company must include in their assessable income the amount of the dividend together with any franking credits attached to the dividend. Income tax is calculated on this total amount and

investors will generally be entitled to claim a rebate equal to any franking credits attaching to the dividend. Any excess rebate over and above the total tax payable can be refunded to investors.

A resident corporate shareholder that is:

- a public company for tax purposes – is entitled to a rebate of tax only to the extent of the franked portion (if any) of any dividends received; and
- a private company for tax purposes - is entitled to a rebate only to the extent of the franked portion (if any) of any dividends received.

Companies are generally entitled to credit their franking account for the franked amount of any dividend.

7.5 Directors' Interests

Other than as set out below, no Director has, or has held at any time during the last two years, any interest in the formation or promotion of the Company or in property acquired or proposed to be acquired by the Company.

Shares

The Directors of the Company and their interests in the share capital of the Company as at the date of this Information Memorandum are set out below.

Name of Director	Number of Shares	Subscriber Shares	Nature of Interest
Alan R Broadbent OAM	10,000	1	Legal and Beneficial
Dean Stoddart	500	1	Legal and Beneficial
Keith A Borthwick	1,000	1	Legal and Beneficial
David V Graham	5,000	1	Legal and Beneficial
Michael J Gahan	4,000	1	Legal and Beneficial
Eric Underwood	10,000	-	Legal and Beneficial
Keith W Vardy	1,000	-	Legal and Beneficial
Helen M Hoppner	-	-	

No Director holds shares in any related body corporate of the Company.

Indemnity

Under the Company's Constitution, the Company:

- indemnifies its current and former officers against liability to third parties incurred arising out of the conduct of the business of the Company or in the discharge of their duties as officers; and
- is permitted to pay premiums for insurance policies insuring its Directors and officers against liability to third parties incurred arising out of the

conduct of the business of the Company or in the discharge of their duties as officers.

Other Interests

Tyrell Partners Certified Practising Accountants of which Michael Gahan is a director received a fee of \$7,800 (2003: \$1,450) for providing accounting services to Heyfield & District Community Financial Services Ltd throughout the year.

Other benefits

No amounts have been paid or agreed to be paid (and no benefits have been given or agreed to be given) to a Director (or a proposed Director) to induce them to become, or to qualify as, a director of the Company.

7.6 Disclosure of Interests

Other than as set out below, no person (referred to as a **Relevant Person**) named in this Information Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Information Memorandum, no promoter of the Company and no stockbroker or underwriter has, or has held at any time during the last two years, any interest in the formation or promotion of the Company or in property acquired or proposed to be acquired by the Company.

The amounts paid, or agreed to be paid, and the nature and value of any benefits given or agreed to be given, to a Relevant Person or such a promoter, stockbroker or underwriter, for services provided in connection with the application for listing of the Company, and quotation of the Shares, on the Bendigo Stock Exchange (including preparation of this Information Memorandum) are as follows:

Nil

7.7 BSX Waivers

In connection with the proposal for the listing of the Company, and the quotation of the Shares, on the Bendigo Stock Exchange, it is anticipated that the Company will require a number of waivers and confirmations from the Bendigo Stock Exchange. (These are in addition to the other requirements for listing and quotation that must be satisfied).

The Directors have had discussions of a preliminary nature with the Bendigo Stock Exchange about the waivers and confirmations required. However, the granting of these waivers and confirmations is at the absolute discretion of the Bendigo Stock Exchange and, if given, may be given subject to conditions. The main waivers and confirmations to be sought are as follows.

(a) Company's Constitution

The Company intends to seek confirmation that, for the purposes of BSX Listing Rule 1.2(b), the Company's Constitution is consistent with the BSX Listing Rules (as modified by the waivers and confirmations referred to in this Section). Further, the Company intends to request a waiver

from the requirement in BSX Listing Rule 11.14 that its Constitution must contain certain provisions relating to restricted securities.

(b) Voting Rights

The Company intends to request a waiver from the requirement in BSX Listing Rule 4.3(b) that, on a poll, each shareholder must have one vote for each fully paid share held. As noted above (see Section 7.2(a)), each shareholder in the Company will have only one vote, regardless of the number of shares held.

(c) Suspension of Dividend & Voting Rights

The Company intends to seek confirmation that the provisions in the Company's Constitution that suspend the rights of a shareholder to receive dividends or vote if they have a prescribed shareholding interest (see Section 7.3 above) are "appropriate and equitable" for the purposes of the BSX Listing Rule 4.4(g).

(d) Divestment of shares

The Company intends to seek confirmation that the provisions in the Company's Constitution that permit a divestment of shares if a shareholder has a prescribed shareholding interest (see Section 7.3 above) are "appropriate and equitable" for the purposes of the BSX Listing Rule 4.6(d).

(e) Tests for listing

In order to list, among other things, a company must satisfy the "spread test" (ie it must have a certain specified number of shareholders each holding at least a certain specified value of shares) and it must satisfy either the "profits test" (ie among other things, it must have earned a certain level of profits over the past three years) or the "assets test" (ie it must have assets of a certain value): see BSX Listing Rules 1.1 to 1.7. It is not expected that the Company will be able to satisfy any of these tests. Accordingly, the Company intends to request a waiver from the requirement to comply with each test.

(f) Ongoing Operations

Under the BSX Listing Rules, there is a requirement for a listed entity to maintain a level of operations and financial stability that, in the BSX's opinion, is sufficient for the entity to remain on the BSX official list (see BSX Listing Rule 9.1). There is also a requirement to maintain a spread of security holders in a company's main class of securities which, in the BSX's opinion, is sufficient to ensure that there is an orderly market in securities (see BSX Listing Rule 9.2). The Company intends to seek confirmation from the BSX that the level of business contemplated by the Company, and the expected shareholder spread, will be sufficient for the purposes of these rules.

(g) Rights attaching to shares

The Company intends to seek confirmation from the BSX that, for the purposes of BSX Listing Rule 2.1(a), the rights attaching to the Shares satisfy the requirements of chapter 4 of the BSX Listing Rules (as modified by the waivers and confirmations described in this Section) and that, for the purposes of BSX Listing Rule 4.1, the rights attaching to the Shares are “appropriate and equitable”.

(h) Limit on New Shares Issues

The Company intends to seek confirmation that, to the extent that the limit on new share issues in BSX Listing Rule 5.2 applies to the issue of Shares under the Prospectus, the issue is approved by the BSX for the purposes of that rule.

(i) Registration of share transfers

The Company intends to request a waiver from BSX Listing Rule 6.3 in order to permit the Directors of the Company to prevent a share transfer at their discretion.

(j) Rotation of directors

The Company intends to request a waiver from BSX Listing Rule 11.20 (which requires the retirement by rotation of Directors) but only to the extent that the Company complies with the Directors’ retirement by rotation procedures set out in the Company’s Constitution.

7.8 Consents

- (a) **Bendigo Bank** has given and has not, before the issue of this Information Memorandum withdrawn its written consent to be named in this Information Memorandum in the form and context in which it is named. It has not authorised or caused the issue of this Information Memorandum.

8. Definitions

APRA	Australian Prudential and Regulatory Authority.
Bendigo Bank	Bendigo Bank Limited (ABN 11 068 049 178).
Bendigo Group	Bendigo Bank and its related bodies corporate.
Bendigo Stock Exchange or BSX	BSX Limited (ACN 087 708 898).
BSX Listing Rules	Listing rules of the BSX.
Company	Heyfield & District Community Financial Services Limited ACN 094 854 949
Corporations Act	Corporations Act 2001 (Cth).
Disclosure Document	The disclosure document provided to the Company by Bendigo Bank under the Franchising Code.
Franchise	The rights granted to the Company under the Franchise Agreement.
Franchise Agreement	The agreement dated 1 December 2000, between Bendigo Bank and the Company (and the Directors) under which the Company was granted the rights to manage and operate the Community Bank [®] Branch of Bendigo Bank, subject to the terms and conditions of the agreement.
Franchise	Has the meaning given in Section 3.5.
Franchising Code	Franchising Code of Conduct.
Prospectus	The prospectus dated 4 December 2000, issued by the Company.
Shares	Ordinary shares in the Company

Each Director of the Company has consented to the lodgement of this Information Memorandum with the Bendigo Stock Exchange.

Signed for and on behalf of the Company by each Director:

Alan Robert Broadbent OAM

Dean Stoddart

Keith Alexander Borthwick

David Vernon Graham

Michael James Gahan

Eric Underwood

Keith Walter Vardy

Helen Margaret Hoppner

DIRECTORY

Directors

Alan Robert Broadbent OAM

Dean Stoddart

Keith Alexander Borthwick

David Vernon Graham

Michael James Gahan

Keith Walter Vardy

Helen Margaret Hoppner

Eric Underwood

Company Secretary

Keith Alexander Borthwick

Registered Office

59 Temple Street

Heyfield, VIC 3858

Your Directors submit the financial report of the company for the financial year ended 30 June 2004.

Directors

The names and details of the company's directors who held office during or since the end of the financial year are:

Mr Alan Broadbent
Chairman
Occupation: Motel proprietor/farmer

Mr Michael Gahan
Treasurer
Occupation: Accountant

Mr David Graham
Director
Occupation: Business proprietor

Mr Keith Borthwick
Secretary
Occupation: Solicitor

Ms Christine Sherrin (resigned 26 May 2004)
Director
Occupation: Retired administrator

Mrs Jenny Appleyard
Director
Occupation: Administrator

Mr Dean Stoddart
Director
Occupation: Self-employed electrical contractor

Mrs Helen Hoppner
Director
Occupation: Publican

Mr Keith Vardy
Director
Occupation: Farmer

Mr Eric Underwood (appointed 27 November 2003)
Director
Occupation: Manager

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

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/(loss) of the company for the financial year after provision for income tax was \$32,795 (2003: (\$16,844)).

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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 \$7,800 (2003: \$1,450) 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.

Directors Meetings

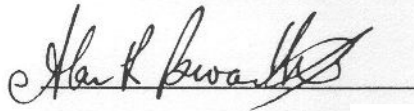
The number of Directors meetings attended by each of the Directors of the company during the year were:

Number of Meetings Held: 18


Number of Meetings Attended:

Mr Alan Broadbent	16
Mr Michael Gahan	14
Mr David Graham	14
Mr Keith Borthwick	18
Ms Christine Sherrin (resigned 26 May 2004)	12
Mrs Jenny Appleyard	15
Mr Dean Stoddart	10
Mrs Helen Hoppner	12
Mr Keith Vardy	15
Mr Eric Underwood (appointed 27 November 2003)	10

Signed in accordance with a resolution of the Board of Directors at Heyfield on 18 October 2004.



Alan Broadbent, Chairman



Keith Borthwick, Director

**Statement of Financial Performance
For the year ended 30 June 2004**

	<u>Notes</u>	2004 \$	2003 \$
Revenues from ordinary activities	2	333,129	244,281
Salaries & employee benefits expense		(150,884)	(132,445)
Depreciation and amortisation expense	3	(34,755)	(37,948)
Borrowing costs expense	3	-	(1,139)
Other expenses from ordinary activities		<u>(114,695)</u>	<u>(89,593)</u>
Profit / (loss) from ordinary activities before income tax expense		32,795	(16,844)
Income tax expense relating to ordinary activities	4	<u>-</u>	<u>-</u>
Profit / (loss) from ordinary activities after income tax expense		<u>32,795</u>	<u>(16,844)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u><u>32,795</u></u>	<u><u>(16,844)</u></u>

The accompanying notes form part of these financial statements

	<u>Notes</u>	2004 \$	2003 \$
Current Assets			
Cash assets	6	116,877	46,917
Receivables	7	30,722	26,033
Total Current Assets		<u>147,599</u>	<u>72,950</u>
Non-Current Assets			
Property, plant and equipment	8	146,004	158,457
Intangible assets	9	42,028	64,330
Total Non-Current Assets		<u>188,032</u>	<u>222,787</u>
Total Assets		<u>335,631</u>	<u>295,737</u>
Current Liabilities			
Payables	10	11,842	13,306
Provisions	11	22,561	13,998
Total Current Liabilities		<u>34,403</u>	<u>27,304</u>
Total Liabilities		<u>34,403</u>	<u>27,304</u>
Net Assets		<u>301,228</u>	<u>268,433</u>
Equity			
Contributed equity	12	450,000	450,000
Accumulated Losses	13	(148,772)	(181,567)
Total Equity		<u>301,228</u>	<u>268,433</u>

The accompanying notes form part of these financial statements

Statement of Cash Flows
For the year ended 30 June 2004

	<u>Notes</u>	2004 \$	2003 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		355,268	254,060
Cash payments in the course of operations		(286,921)	(241,724)
Interest received		1,613	1,162
Interest paid		-	(1,139)
Net cash flows from/(used in) operating activities	14b	<u>69,960</u>	<u>12,359</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment			(937)
Proceeds from sale of property, plant and equipment			17,272
Net cash flows from/(used in) investing activities		<u>-</u>	<u>16,335</u>
Cash Flows From Financing Activities			
Repayment of borrowings			(23,325)
Net cash flows from/(used in) financing activities		<u>-</u>	<u>(23,325)</u>
Net increase/(decrease) in cash held		69,960	5,369
Add opening cash brought forward		46,917	41,548
Closing cash carried forward	14a	<u><u>116,877</u></u>	<u><u>46,917</u></u>

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs 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 accounting policies are consistent with the previous year.

Income tax

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

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 statement of financial position. Cash flows are included in the statement of cash flows 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.

1. Summary of significant accounting policies (continued)**Property, plant and equipment**

Property, plant and equipment are brought to account at cost or at independent directors' valuation, less, where applicable, any accumulated depreciation or amortisation. Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated over their useful life to the entity commencing from the date of acquisition/revaluation.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of fixed assets</u>	<u>Depreciation rate (%)</u>
Plant and equipment	10%
Buildings	2.5%
Furniture and fittings	10%

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 statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Revenue

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

1. Summary of significant accounting policies (continued)

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognized 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.

	2004 \$	2003 \$
2. Revenue from ordinary activities		
Operating activities		
- services commissions	331,516	243,119
- other revenue		
Total revenue from operating activities	<u>331,516</u>	<u>243,119</u>
Non-operating activities:		
- interest received	<u>1,613</u>	<u>1,162</u>
Total revenue from non-operating activities	<u>1,613</u>	<u>1,162</u>
Total revenues from ordinary activities	<u><u>333,129</u></u>	<u><u>244,281</u></u>

**Notes to the Financial Statements
for the year ended 30 June 2004**

	2004	2003
	\$	\$
3. Expenses		
Borrowing expenses:		
- Interest paid		1,139
Depreciation of non-current assets:		
- plant and equipment	11,067	14,268
- leasehold improvements	1,386	1,378
Amortisation of non-current assets:		
- intangibles	22,302	22,302
Net loss on disposal of property, plant and equipment		1,728
4. Income Tax Expense		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) from ordinary activities at 30%	9,839	(5,053)
Add tax effect of:		
- Non-deductible expenses	12,259	6,691
- Prior year tax losses not previously brought to account	<u>(22,098)</u>	<u>(1,638)</u>
Income tax expense on operating profit / (loss)	<u><u>-</u></u>	<u><u>-</u></u>
Income tax losses		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	<u><u>11,154</u></u>	<u><u>33,252</u></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><u>3,650</u></u>	<u><u>3,650</u></u>
	<u><u>3,650</u></u>	<u><u>3,650</u></u>
6. Cash Assets		
Cash at bank and on hand	66,933	11,334
Deposits at call	<u><u>49,944</u></u>	<u><u>35,583</u></u>
	<u><u>116,877</u></u>	<u><u>46,917</u></u>

Notes to the Financial Statements
for the year ended 30 June 2004

	2004 \$	2003 \$
7. Receivables		
Trade debtors	<u>30,722</u>	<u>26,033</u>
8. Property, Plant and Equipment		
<i>Land</i>		
Freehold land at cost	<u>17,500</u>	<u>17,500</u>
<i>Buildings & improvements</i>		
At cost	55,145	55,145
Less accumulated depreciation	<u>(4,138)</u>	<u>(2,752)</u>
	<u>51,007</u>	<u>52,393</u>
<i>Plant and equipment</i>		
At cost	2,414	2,414
Less accumulated depreciation	<u>(654)</u>	<u>(421)</u>
	<u>1,760</u>	<u>1,993</u>
<i>Furniture & Fittings</i>		
At cost	108,036	108,036
Less accumulated depreciation	<u>(32,299)</u>	<u>(21,465)</u>
	<u>75,737</u>	<u>86,571</u>
Total written down amount	<u>146,004</u>	<u>158,457</u>
Movements in carrying amounts		
<i>Building</i>		
Carrying amount at beginning of year	52,393	53,771
Additions	-	-
Disposals	-	-
Depreciation expense	<u>(1,386)</u>	<u>(1,378)</u>
Carrying amount at end of year	<u>51,007</u>	<u>52,393</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	1,993	1,231
Additions	-	937
Disposals	-	-
Depreciation expense	<u>(233)</u>	<u>(175)</u>
Carrying amount at end of year	<u>1,760</u>	<u>1,993</u>
<i>Furniture & Fittings</i>		
Carrying amount at beginning of year	86,571	97,375
Additions	-	-
Disposals	-	-
Less depreciation expense	<u>(10,834)</u>	<u>(10,804)</u>
Carrying amount at end of year	<u>75,737</u>	<u>86,571</u>

District Community Financial Services
ABN 96 094 854 949
Notes to the Financial Statements
for the year ended 30 June 2004

	2004 \$	2003 \$
9. Intangible Assets		
<i>Franchise Fee</i>		
At cost	50,000	50,000
Less accumulated amortisation	<u>(30,932)</u>	<u>(20,932)</u>
	<u>19,068</u>	<u>29,068</u>
<i>Preliminary Expenses</i>		
At cost	61,510	61,510
Less accumulated amortisation	<u>(38,550)</u>	<u>(26,248)</u>
	<u>22,960</u>	<u>35,262</u>
	<u><u>42,028</u></u>	<u><u>64,330</u></u>
10. Payables		
Trade creditors	9,142	10,606
Accrued audit fee	<u>2,700</u>	<u>2,700</u>
	<u><u>11,842</u></u>	<u><u>13,306</u></u>
11. Provisions		
Employee benefits	<u>22,561</u>	<u>13,998</u>
Number of employees at year end	<u>5</u>	<u>5</u>
12. Contributed Equity		
Ordinary shares fully paid of \$1 each	<u><u>450,000</u></u>	<u><u>450,000</u></u>

**Notes to the Financial Statements
for the year ended 30 June 2004**

	2004	2003
	\$	\$
13. Accumulated Losses		
Balance at the beginning of the financial year	(181,567)	(164,723)
Net profit / (loss) from ordinary activities after income tax	32,795	(16,844)
Balance at the end of the financial year	<u>(148,772)</u>	<u>(181,567)</u>
14. Statement of Cashflows		
(a) Reconciliation of cash		
Cash assets	66,933	11,334
Deposit at call	49,944	35,583
	<u>116,877</u>	<u>46,917</u>
(b) Reconciliation of profit / (loss) from ordinary activities after tax to net cash from/(used in) operating activities		
Profit / (loss) from ordinary activities after income tax	32,795	(16,844)
Non cash items		
- depreciation	12,453	15,646
- amortisation	22,302	22,302
- loss from sale of property, plant and equipment		1,728
Changes in assets and liabilities		
- (increase) decrease in receivables	(4,689)	(12,144)
- increase (decrease) in payables	(1,464)	(719)
- increase (decrease) in provisions	8,563	2,390
Net cashflows provided by/(used in) operating activities	<u>69,960</u>	<u>12,359</u>

**Notes to the Financial Statements
for the year ended 30 June 2004**

15. Director and Related Party Disclosures

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

Mr Alan Broadbent
Mr Michael Gahan
Mr David Graham
Mr Keith Borthwick
Ms Christine Sherrin (resigned 26 May 2004)
Mrs Jenny Appleyard
Mr Dean Stoddart
Mrs Helen Hoppner
Mr Keith Vardy
Mr Eric Underwood (appointed 27 November 2003)

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 \$7,800 (2003: \$1,450) 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.

Directors shareholdings	2004	2003
Mr Alan Broadbent	10,000	10,000
Mr Michael Gahan	4,000	4,000
Mr David Graham	5,000	5,000
Mr Keith Borthwick	1,000	1,000
Ms Christine Sherrin (resigned 26 May 2004)	1,000	1,000
Mrs Jenny Appleyard	10,000	10,000
Mr Dean Stoddart	500	500
Mrs Helen Hoppner		
Mr Keith Vardy		
Mr Eric Underwood (appointed 27 November 2003)	5,000	5,000

There was no movement in directors shareholdings during the year. Each share held is valued at \$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.

**Notes to the Financial Statements
for the year ended 30 June 2004**

19. Registered office/Principal place of business

The registered office and principal place of business is:

54-56 Temple Street
Heyfield Victoria 3858

20. Dividends paid or provided for on ordinary shares

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

21. International Financial Reporting Standards

The company has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). In consultation with our external auditor, Richmond Sinnott & Delahunty, the company has allocated resources to assess the impact of transition to IFRS.

Based on current requirements, the financial statements of the company prepared at 30 June 2006 will need to comply with IFRS. Comparative figures for the year ended 30 June 2005, within the 30 June 2006 financial statements, will also need to comply with IFRS.

The potential impacts of transition to IFRS have not been fully assessed due to the short timeframe between finalisation of the IFRS standards and completing this report. The impact on future years will depend on circumstances prevailing at the time of preparing relevant financial reports.

Based on the assessment completed to date the key potential implications of the conversion to IFRS on the company are:

- a) financial instruments will need to be classified under one of five categories, which will in turn determine the accounting treatment. The classifications are loans and receivables - measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value, available for sale - measured at fair value and non trading liabilities - measured at amortised cost;
- b) income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities;
- c) intangible assets with an indefinite useful life will be tested annually for impairment and will not be amortised; and
- d) changes in accounting policies will be recognised by restating prior year figures, rather than making current year adjustments and the impact will be disclosed in the notes to the financial statements.

22. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any unrecognised financial instruments at the 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 Statement of Financial Position 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.

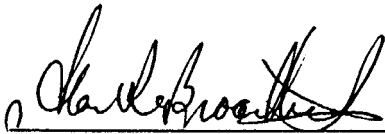
Interest Rate Risk

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					
			2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 %	2003 %
Financial Assets												
Cash assets	66,933	11,334	-	-	-	-	-	-	-	0.05	0.05	
Term deposit	-	-	49,944	35,583	-	-	-	-	-	4.50	3.25	
Receivables	-	-	-	-	-	-	-	-	30,722	N/A	N/A	
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	11,842	N/A	N/A	

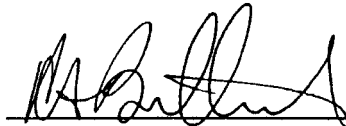
In accordance with a resolution of the directors of Heyfield & District Community Financial Services Limited we state that:

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 2004 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.



Alan Broadbent, Chairman



Keith Borthwick, Director

Signed on 18 October 2004



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ABN 60 616 244 309

INDEPENDENT AUDIT REPORT

**TO THE MEMBERS OF HEYFIELD & DISTRICT COMMUNITY FINANCIAL
SERVICES LIMITED**

SCOPE

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Heyfield & District Community Financial Services Limited, for the year ended 30 June 2004.

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.

K J Richmond. W J Sinnott. P P Delahunty

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion, the financial report of Heyfield & Districts 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 2004 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: 18 October 2004