



annual report 2012

Heyfield & District Community
Financial Services Limited

Vision Statement

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

Mission Statement

To develop the strength of the franchise with the aim of providing maximum support to the community

Statement of Values

We aim to work with our community, to develop and improve the district

We value our customers, and through our strong partnership with Bendigo Bank, will ensure a banking presence remains and expands within the community.

We value our shareholders and will ensure their investment in the company is safeguarded and rewarded.

We value our staff and will ensure they have the opportunity to develop to their full potential.

We value our relationship with Bendigo Bank, and will work towards achieving shared goals.



Heyfield Ambulance Auxiliary



Glenmaggie Mechanics' Institute Inc.



St John (Wellington)

Report from the Chair



Dear Shareholders,

The last financial year was challenging for our Community Bank® branch as it was for all other banks. It was a sluggish year of business for our bank yet our nett profit of \$188,234 was still more than our budgeted target of \$173,706. We were still

able to distribute \$138,000 in sponsorship and grants into our local community.

We shall also be delivering an .08 cents per share, fully franked, dividend, totalling \$36,000 to our shareholders. These figures mean that over the past eleven years, we have distributed to our community more than \$688,000 and our shareholders \$174,000. An impressive result for a small rural community!

We are following our business plan that stated that we would provide a modern banking experience for our customers and staff, your Board resolved to proceed with a major renovation on the branch to bring an outdated building into the 21st century. The whole operation was scheduled to minimise disruption to business and commenced just after this reporting season.

I would like to welcome Carolyn Crossley to our Board; she brings a wealth of experience and knowledge in marketing and the local community. I am sure she will be a very productive Board member.

I extend my thanks to my fellow Board members and Chris Thomas our Personal Assistant for their commitment to the Community Bank® model and look forward to a new financial year which brings exciting new ways to do business with the new branch.

On behalf of the Board, I would like to thank our partners Bendigo & Adelaide Bank for their ongoing support. Heyfield and District Community Bank® Branch thrives through the combined efforts of your Board and our proactive and committed partner.

Finally, thanks to our shareholders and customers – your support is vital. Perhaps now is the time to ask, “Am I giving our Community Bank® branch as much of my business as I could?” The more business – the more funds for our town and district. I invite you to come and talk to our Branch Manager Scott McNicol – you will be surprised to see how many financial products we can offer other than lending.

A handwritten signature in black ink that reads "Michèle Ripper". The signature is fluid and cursive.

Michèle Ripper

Chairperson

Heyfield & District

Community Financial Services Pty Ltd

Continuous and never-ending improvement

Board of Directors 2011 – 2012



Michèle Ripper
Chair



David Wadey
Deputy Chair



Keith Borthwick
Company Secretary



Jennifer McMillan
Treasurer



Eric Underwood
Director



William Lack
Director



Carolyn Crossley
Director



Anne Nichols
Director



Christine Thomas
Company Personal
Assistant

Our Branch Team



Scott McNicoll
Branch Manager



Tamarah Smith
Customer
Relationship Manager



Tasha Barbour
Senior Customer
Service Officer



Kerry Anderson
Company Customer
Service Officer



Jacqui Wheeler
Customer Service
Officer

Manager's report



It is with pleasure that I submit my report to shareholders for the financial year ended 30 June 2012

It was a tough year on all financial institutions this year, and we here at Heyfield were no exception. We continued to ride out the GFC and the downturn

in the economy on the eastern seaboard where not just banking, but also the wider business population have struggled at times.

Our branch deposits (inclusive of our treasury funds) decreased this year by \$4.85 million dollars, however \$3 million of this was more a timing issue as we picked the funds back up in the first month of the new financial year. As at 30 June 2012 we were holding \$40.5 million dollars in deposits.

Our branch lending was a major focus for the 2011/2012 financial year. We added a further \$419,000 to our lending portfolio. As at 30 June 2012 we were managing \$30.7 million.

As at 30 June 2012 our total footings was \$71.2 million.

We continued to increase both our customers and the accounts they operate as we spread the Community Bank® message. We increased our customer numbers to 2,015. This was an increase of 52 from the previous year representing on average 1 new customer every week. Our customers held a total of 3,586 accounts which is also up on the previous year.

Due to our customer's banking support we were able to distribute \$138,000 by way of sponsorships and grants this year to our local community. This sum has brought our total figure back to the community to \$688,000 in 11 years.

I would like to take the time to thank my team for their

hard work and dedication this year. Our team continues to strive to provide our customers with the very best in customer service which separates us from our competitors and provides a fantastic environment for our customers.

I would like to thank Tamarah, Tasha, Kerry and Jacqui for their support over the past 12 months. This year saw Shannon Daley resign to look after her new baby and I would like to thank Shannon for her support during her 12 months at Heyfield. As a result of Shannon's resignation we were able to extend a permanent role to Tasha which she has accepted.

I would like to thank our Board who continue to donate their time and experience to make our community a better place. Thanks also to Christine Thomas, our Board's Personal Assistant for her support these past 12 months.

I would also like to thank Bendigo and Adelaide Bank's regional office staff in Warragul who continue to provide us with their support.

Lastly, but certainly not least, I would like to thank our customers and shareholders who have supported our branch, some from the very beginning. Without your support we would not be able to achieve the results we have to date. I ask that you continue to be advocates for our branch and encourage you to use your network of friends and family to also be a supporter of your Community Bank® branch.

I look forward to the year ahead working closely with our customers, clubs and organisations. Please feel free to drop in at any time and check out our new branch of the future which is now open for business.

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

Scott McNicol

Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank**[®] network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**[®] model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank**[®] model has become so much more.

In the past financial year a further 20 **Community Bank**[®] branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**[®] sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$80 million
- **Community Bank**[®] branches – 295
- **Community Bank**[®] branch staff – more than 1,400
- **Community Bank**[®] branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**[®] network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**[®] model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**[®] partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**[®] margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**[®] partners.

We've been working with the **Community Bank**[®] network to take action to reduce this imbalance (which is in favour of the **Community Bank**[®] partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

Cowwarr Cutters Cup

The Cowwarr Cutters Cup a Racing Ride-on Lawn-Mower event builds confidence and pride in our small rural township of Cowwarr. It strengthens networks across a diverse range of organisations and community groups. It is a fun family day that creates an opportunity for celebration whilst raising funds for various community projects and the CFA. It also serves as a Cowwarr CFA fire preparedness and awareness campaign with announcements and access to information via the staffed CFA information tent. It is just as important as a community strengthening event as it is a fundraising event. Your sponsorship assists in this process.

Regards
Carolyn Crossley



Heyfield R.S.L. Sub-branch was in need of new toilets to be built within the R.S.L. hall, and a donation of \$5000 from the Heyfield & District Community Bank towards our project helped make this possible.

No more do we have to go down the

step stairways to the old toilets which connects to the senior citizens rooms and disturb their privacy, our unisex toilets are big and beautiful and just wonderful for those with wheelchairs and frames. Thank you once again to the Heyfield & District Community Bank.

Sue Artso

Heyfield Junior Netball Club



The Heyfield Junior Netball Club would like to express their gratitude & thanks to the Heyfield Community Bank for the grant to assist us with the purchase of new netball dresses.

It was great to look out over the netball courts in Sale and see the Heyfield teams stand out. The girls always looked well presented and smart.

In the words of a junior netballer "We looked good on court & they made us play well."

Thank you for your support of the Heyfield Junior Netball Club.

The girls not only represented Heyfield with pride, but also the community Bank

Jodie Underwood

The Cowwarr Landcare Group

The Cowwarr Landcare Group would like to thank the Heyfield & District Community bank for its donation of \$480 which enabled us to buy a Brush Cutter with blade and fuel can from Rob Vernon. This equipment has been very useful in our weed management at our projects mainly at the Swing Bridge Reserve at Cowwarr Weir. It helped us prepare sites for planting of Indigenous species the latest being on National Tree Day when 25 community Volunteers helped us plant 1000 plants.

The Brush cutter will be useful in controlling woody weeds at this and other sites for some time to come.

Peter Smart

Cowwarr Landcare Group Treasurer



Glenmaggie Mechanics Institute Hall



The re-roofing project was carried out in December 2011. It is one that we, the committee of the Glenmaggie Mechanics Institute, has wanted to do for a number of years but the significant cost involved had put it beyond our reach. There is no doubt that without the contribution of \$35,000 from the Heyfield Community Enterprise Foundation it would not have been realised for many more years. We are very pleased with the finished result and

relieved that such a major project is complete.

Our historic hall, built in 1890, is once again the focal point of Glenmaggie. Her beautiful new colorbond roof will ensure that she is protected and able to be of service to the community for present and future generations.

Merryn Stevenson

President, Glenmaggie Mechanics' Institute

Maffra Secondary College

On behalf of the Year 10 students of Maffra Secondary College, I would like to thank the Heyfield & District Community Bank for its generous and continued sponsorship of our Driver Education Program at our School.

Your sponsorship ensures that the majority of our year 10 students have the opportunity to improve their driving technique, knowledge of road rules and road awareness under expert tuition, thus creating safer roads for the local community. The local area has a high record of deaths and injuries involving young people, some of these have been past students of Maffra Secondary College.

We will commence our Driver's Education Program on July 31st with a "Keys Please" presentation from Vic Road which will directly the cheque presentation by your Branch Manager Mr Scott McNicol to Maffra Secondary College's Principal, Mrs Jeannette McNamara.



Yours sincerely

Jeannette McNamara– Principal
Sue Clancy– Year 10 Coordinator.

RACV Energy Breakthrough Competition - Maryborough



St Michael's Primary School had the opportunity to participate in the RACV Energy Breakthrough Competition for the first time late last year. The RACV Energy Breakthrough

Competition is held annually in Maryborough with hundreds of Victorian Schools participating. As is it was St Michael's first year, we had to start from scratch (not only in our fitness but by obtaining a vehicle). Heyfield & District Community Bendigo Bank, along with Boral came on board and generously sponsored the students of year 5/6 to begin their "Breakthrough Bootcamp". Thanks to the donation of \$3,000, we were able to obtain a standard energy trike and were able to travel to Maryborough,

participate and become a team unit during the three days of extreme challenges and awesome fun!! Thank you!!

Donation of funds for Air Conditioner-Thanks to the very kind donation from Heyfield & District Community Bendigo Bank, the students of St Michael's are now able to sit in comfort whilst participating in Library! Due to a very old and defunct gas heater located in the Library (since it was built in the early '80's), staff and students were forever either putting more clothing on in Winter or squirming in their seats to stop themselves from sticking to them in Summer and as the Library is utilised daily, something needed to be done!! Early in 2012, we were very appreciative of the kind donation of \$2,000 received by Heyfield & District Community Bendigo Bank for a new reverse cycle air conditioner to be placed in the Library! Now all staff and students are comfortable in doing their work and reading their books without having to either bring in their wardrobe of clothes or requiring a towel for mopping up their perspiration!! Thank You!!

Heyfield Wetlands



Heyfield & District Community Financial Services Funding for the Wetlands

Hopefully people in the local community who walk in the wetlands area have noticed the last few years have been particularly productive on the tree planting front at the Heyfield Wetlands. There have been approximately 5000 trees and shrubs planted over the last three years by various groups. The Lions Club, Seaton Land-care group, WGCMA and various local primary schools have all contributed in some way to the re-vegetation of the wetlands area. The Peninsula School from Mt Eliza has also contributed for several years as part of its Outdoor Education program in the area.

Where does the Heyfield Community Bank fit into all this? Through the bank's generous funding it has allowed for the purchase of a significant number of the trees/ shrubs and guards enabling students and groups to contribute to this worthwhile "work in progress".

As with many voluntary community groups the Heyfield Wetlands are not a wealthy organization. In 2010 the

Community Bank provided funding for the purchase of Solar Panels. This has saved the wetlands many hundreds of dollars in offsetting the cost of power bills and will continue to do so for many years to come.

The wetlands have received funding for projects on three occasions from the Community Bank:

- May 2010 for the purchase of trees/shrubs and Tree guards for a tree planting program with students
- August 2010 for the purchase of solar panels for the information centre
- April 2012 for the purchase of trees/shrubs and guards for tree planting projects mainly with primary and secondary school students

The Heyfield Wetlands committee greatly appreciates the funding provided so far. The re-vegetation of the wetlands in particular will provide increasing benefits to the local waterways and for wildlife diversity for many years into the future. The Heyfield community and visitors to the area will be able to observe and enjoy these changes over the years to come.



Grants Night

Community groups and organisations in the Heyfield and district area have benefitted from the Heyfield & District 2011 Community Grants Program.

Almost \$180,000 in grants has been awarded to community groups and organisations in the Heyfield & District area.

Branch Manager Scott McNicol and board chair Michèle Ripper announced the grants at the board's annual general meeting recently.

The following groups and projects received grants in 2011:

- Heyfield Ambulance Auxiliary – Station Upgrade
- Heyfield Hospital – Keeping in Touch & Feeling Safe Project
- Glenmaggie Mechanics Institute – Re-roofing Project
- Heyfield Lions Club – Community Bus
- Seaspray Surf Lifesaving Club – Bronze Medallion Camp

- St John Ambulance Wellington Division – First Aid Training Equipment

“Heyfield & District Community Bank® Branch is proud to support the local community, and the Community Grants Program assists to empower the community to get things done for the local community,” Chair, Michèle Ripper said.

The Community Grants Program was initiated by Heyfield & District Community Bank® Branch and administered by Community Enterprise Foundation,™ the philanthropic arm of Bendigo and Adelaide Bank Group.

The program enabled local groups to apply for funding from a pool of funds made available to the local community from the community bank's profits.

“The bank congratulates the community groups and organisations for their projects which they will undertake over the next 12 months which help to improve the local community,” Ms Ripper said.

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

In accordance with a resolution of the directors of Heyfield & District Community Financial Services Limited, the directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 6 to 24 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
- 2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Michele Ripper
Chair

Signed at Heyfield on 20 September 2012.

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

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

Directors

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

Mr Keith Borthwick Secretary Occupation: Solicitor Board member since 24/10/2000	Ms Anne Nichols Director Occupation: Marketing & Communications Manager Board member since 13/12/2006
Mr Eric Underwood Director Occupation: Manager Board member since 27/11/2003	Mr David Wadey Director Occupation: Real Estate Agent Board member since 14/6/2006
Mrs Michele Ripper Chairman Occupation: Dance Instructor Board member since 30/3/2006	Mrs Jennifer McMillan Director Occupation: Business Proprietor Board member since 26/8/2010
Mrs Carolyn Crossley (appointed during year) Director Occupation: Business Proprietor Board member since 29/3/2012	Mr William Lack (appointed during year) Director Occupation: TAFE Teacher Board member since 29/9/2011

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

No Directors have material interests in contracts or proposed contracts with the company.

Principal activities

The principal activities of the company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating results

The profit of the company for the financial year after provision for income tax was \$119,355 (2011 profit: \$51,605).

Financial position

The net assets of the company have increased by \$83,354 from June 30, 2011 to \$661,143 in 2012. The increase is largely due to improved operating performance of the company.

Dividends	Year Ended 30 June 2012	
	Cents Per Share	\$
Dividends paid in the year	8	36,001

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

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Future developments

The company will continue its policy of providing banking services to the community.

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration report

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnifying officers or auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

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

Company secretary

Keith Borthwick has been the company secretary of Heyfield & District Community Financial Services Limited since 5 February 2002. Keith Borthwick has been a legal practitioner for over 30 years.

Directors meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Mr Keith Borthwick	12 (12)	3 (3)
Mr Eric Underwood	8 (12)	N/A
Mrs Michele Ripper	12 (12)	3 (3)
Ms Anne Nichols	8 (12)	N/A
Mr David Wadey	7 (12)	N/A
Mrs Jennifer McMillan	11 (12)	3 (3)
Mrs Carolyn Crossley	3 (4)	N/A
Mr William Lack	7 (10)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee

Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Keith Borthwick, Michelle Ripper and Jennifer McMillan;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Director meetings to discuss performance and strategic plans.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 5 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Heyfield on 20 September 2012.


Michele Ripper
Chair



Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

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www.rsdadvisors.com.au

The Directors
Heyfield & District Community Financial Services Limited
54-56 Temple Street
HEYFIELD VIC 3858

To the Directors of Heyfield & District Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 20 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott Philip Delahunty
Cara Hall Kathie Teasdale
Brett Andrews David Richmond

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Statement of Comprehensive Income

For the year ended 30 June 2012

	<u>Notes</u>	2012 <u>\$</u>	2011 <u>\$</u>
Revenue	2	727,258	759,606
Employee benefits expense	3	(342,662)	(325,077)
Depreciation and amortisation expense	3	(24,450)	(30,388)
Finance costs	3	(3,567)	(6,895)
Other expenses		<u>(139,970)</u>	<u>(214,629)</u>
Operating profit before charitable donations & sponsorships		216,609	182,617
Charitable donations and sponsorship		<u>(40,745)</u>	<u>(107,184)</u>
Profit before income tax expense		175,864	75,433
Income tax expense	4	<u>56,509</u>	<u>23,828</u>
Net Profit for the year		119,355	51,605
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>119,355</u></u>	<u><u>51,605</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	23	26.52	11.47
- diluted for profit for the year	23	26.52	11.47

The accompanying notes form part of these financial statements

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Statement of Financial Position

As at 30 June 2012

	<u>Notes</u>	2012 <u>\$</u>	2011 <u>\$</u>
Assets			
Current Assets			
Cash and cash equivalents	6	421,705	295,384
Prepayments		511	180
Receivables	7	<u>55,687</u>	<u>60,418</u>
Total Current Assets		<u>477,903</u>	<u>355,982</u>
Non-Current Assets			
Property, plant and equipment	8	314,634	331,184
Intangible assets	9	<u>7,726</u>	<u>9,726</u>
Total Non-Current Assets		<u>322,360</u>	<u>340,910</u>
Total Assets		<u>800,263</u>	<u>696,892</u>
Liabilities			
Current Liabilities			
Payables	10	43,524	41,106
Current tax liability	4	40,240	2,891
Loans and borrowings	12	6,712	60,000
Provisions	11	<u>24,575</u>	<u>15,106</u>
Total Current Liabilities		<u>115,051</u>	<u>119,103</u>
Non-Current Liabilities			
Loans and borrowings	12	<u>24,069</u>	-
Total Non-Current Liabilities		<u>24,069</u>	-
Total Liabilities		<u>139,120</u>	<u>119,103</u>
Net Assets		<u>661,143</u>	<u>577,789</u>
Equity			
Issued capital	13	450,009	450,009
Asset revaluation reserve	14	123,826	123,826
Retained Earnings	15	<u>87,308</u>	<u>3,954</u>
Total Equity		<u>661,143</u>	<u>577,789</u>

The accompanying notes form part of these financial statements

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Statement of Cash Flows

For the year ended 30 June 2012

	<u>Notes</u>	2012	2011
		\$	\$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		772,155	803,677
Cash payments in the course of operations		(567,251)	(703,507)
Interest received		15,264	19,439
Income tax paid		(19,160)	(43,042)
Borrowing costs		(3,567)	(6,895)
Net cash flows from operating activities	16b	<u>197,441</u>	<u>69,672</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(5,900)	(45,338)
Proceeds from sale of property, plant and equipment		-	12,728
Payments for intangible assets		-	(10,000)
Net cash flows used in investing activities		<u>(5,900)</u>	<u>(42,610)</u>
Cash Flows From Financing Activities			
Proceeds from borrowing		34,504	-
Repayment of borrowings		(63,723)	(20,509)
Dividends paid		(36,001)	(36,001)
Net cash flows used in financing activities		<u>(65,220)</u>	<u>(56,510)</u>
Net increase / (decrease) in cash held		126,321	(29,448)
Cash and cash equivalents at start of year		295,384	324,832
Cash and cash equivalents at end of year	16a	<u>421,705</u>	<u>295,384</u>

The accompanying notes form part of these financial statements

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Changes in Equity
As at 30 June 2012

	<u>Notes</u>	2012 \$	2011 \$
ISSUED CAPITAL			
Balance at start of year		450,009	450,009
Issue of share capital		-	-
Share issue costs		<u>-</u>	<u>-</u>
Balance at end of year		<u>450,009</u>	<u>450,009</u>
ASSET REVALUATION RESERVE			
Balance at start of year		123,826	123,826
Revaluation during the year		<u>-</u>	<u>-</u>
Balance at end of year		<u>123,826</u>	<u>123,826</u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)			
Balance at start of year		3,954	(11,650)
Profit after income tax expense		119,355	51,605
Dividends paid	22	<u>(36,001)</u>	<u>(36,001)</u>
Balance at end of year		<u>87,308</u>	<u>3,954</u>

The accompanying notes form part of these financial statements

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

1. Summary of significant accounting policies

(a) Basis of preparation

Heyfield & District Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 20 September 2012.

(b) Income tax

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

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

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

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

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

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

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

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

<u>Class of fixed assets</u>	<u>Depreciation rate (%)</u>
Motor vehicles	25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

During the 2008 financial year the directors unanimously agreed to bring to account land and buildings at a current market value of \$187,500 on the basis of an independent valuation prepared by Central Gippsland Valuations on 21 December 2007.

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

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

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

(d) Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(e) 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.

(f) 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 reporting 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

(h) 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.

(i) Revenue

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

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

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

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

(m) 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.

(n) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

(p) Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

2. Revenue from continuing operations	2012	2011
	\$	\$
Revenue from continuing activities		
- services commissions	700,385	739,584
	<u>700,385</u>	<u>739,584</u>
Other revenue		
- interest received	15,264	19,439
- other revenue	11,609	583
	<u>26,873</u>	<u>20,022</u>
	<u><u>727,258</u></u>	<u><u>759,606</u></u>
3. Expenses		
Employee benefits expense		
- wages and salaries	300,169	281,065
- superannuation costs	25,332	23,528
- workers' compensation costs	1,036	516
- other costs	16,125	19,968
	<u>342,662</u>	<u>325,077</u>
Depreciation of non-current assets:		
- plant and equipment	16,016	21,909
- leasehold improvements	6,434	6,424
Amortisation of non-current assets:		
- intangible assets	2,000	2,055
	<u>24,450</u>	<u>30,388</u>
Finance costs:		
- borrowing costs	3,567	6,895
4. Income Tax Expense		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	52,759	22,630
Add tax effect of:		
- Non-deductible expenses	3,750	1,198
<i>Current income tax expense</i>	<u>56,509</u>	<u>23,828</u>
Income tax expense	<u>56,509</u>	<u>23,828</u>
Tax liabilities		
Current tax payable	<u>40,240</u>	<u>2,891</u>
5. Auditors' Remuneration		
Remuneration of the auditor for:		
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	108	2,346
	<u>4,008</u>	<u>6,246</u>

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

6. Cash and Cash Equivalents

	2012	2011
	\$	\$
Cash at bank and on hand	155,917	9,300
Deposits at call	265,788	286,084
	<u>421,705</u>	<u>295,384</u>

The effective interest rate on short term bank deposits was 5.74% (2011 - 6.79%)

7. Receivables

Trade debtors	<u>55,687</u>	<u>60,418</u>
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8. Property, Plant and Equipment

Land

Freehold land at cost	<u>17,500</u>	<u>17,500</u>
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Buildings & improvements

At cost	138,988	133,089
Revaluation #	123,826	123,826
Less accumulated depreciation	<u>(34,860)</u>	<u>(28,427)</u>
	<u>227,954</u>	<u>228,488</u>

Plant and equipment

At cost	32,624	32,624
Less accumulated depreciation	<u>(16,670)</u>	<u>(13,472)</u>
	<u>15,954</u>	<u>19,152</u>

Furniture & Fittings

At cost	146,448	146,448
Less accumulated depreciation	<u>(119,310)</u>	<u>(115,188)</u>
	<u>27,138</u>	<u>31,260</u>

Motor vehicles

At cost	34,808	34,808
Less accumulated depreciation	<u>(8,720)</u>	<u>(24)</u>
	<u>26,088</u>	<u>34,784</u>

Total written down amount	<u>314,634</u>	<u>331,184</u>
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Based on valuation (excluding land) by Central Gippsland Valuations - refer note 1c for more details.

Movements in carrying amounts

Buildings & improvements

Carrying amount at beginning of year	228,488	234,912
Additions	5,900	-
Depreciation expense	<u>(6,434)</u>	<u>(6,424)</u>
Carrying amount at end of year	<u>227,954</u>	<u>228,488</u>

Plant and equipment

Carrying amount at beginning of year	19,152	20,855
Additions	-	1,435
Depreciation expense	<u>(3,198)</u>	<u>(3,138)</u>
Carrying amount at end of year	<u>15,954</u>	<u>19,152</u>

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

Movements in carrying amounts (continued)	2012	2011
	\$	\$
<i>Furniture & Fittings</i>		
Carrying amount at beginning of year	31,260	36,287
Additions	-	9,095
Less depreciation expense	(4,122)	(14,122)
Carrying amount at end of year	<u>27,138</u>	<u>31,260</u>
<i>Motor vehicles</i>		
Carrying amount at beginning of year	34,784	18,504
Additions	-	34,808
Disposals	-	(13,878)
Less depreciation expense	(8,696)	(4,650)
Carrying amount at end of year	<u>26,088</u>	<u>34,784</u>
9. Intangible Assets		
<i>Franchise Fee</i>		
At cost	70,000	70,000
Less accumulated amortisation	(62,274)	(60,274)
	<u>7,726</u>	<u>9,726</u>
10. Payables		
Trade creditors	40,624	38,206
Accrued audit fee	2,900	2,900
	<u>43,524</u>	<u>41,106</u>
11. Provisions		
Employee benefits	<u>24,575</u>	<u>15,106</u>
Movement in employee benefits		
Opening balance	15,106	22,428
Additional provisions recognised	27,769	19,500
Amounts utilised during the year	(18,300)	(26,822)
Closing balance	<u>24,575</u>	<u>15,106</u>
12. Loans and Borrowings		
<i>Current</i>		
Bank loan	-	60,000
Chattel mortgage	6,712	-
	<u>6,712</u>	<u>60,000</u>
<i>Non-current</i>		
Chattel mortgage	24,069	-
	<u>24,069</u>	<u>-</u>
13. Share capital		
Ordinary shares fully paid of \$1 each	<u>450,009</u>	<u>450,009</u>

The company has authorised share capital amounting to 450,009 ordinary shares.

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

	2012	2011
	\$	\$
14. Asset revaluation reserve		
Asset revaluation reserve #	<u>123,826</u>	<u>123,826</u>
# Based on valuation (excluding land) by Central Gippsland Valuations - refer note 1c for more details.		
15. Retained earnings/(accumulated losses)		
Balance at the beginning of the financial year	3,954	(11,650)
Dividends paid	(36,001)	(36,001)
Profit after income tax	<u>119,355</u>	<u>51,605</u>
Balance at the end of the financial year	<u>87,308</u>	<u>3,954</u>
16. Statement of Cash Flows		
(a) Cash and cash equivalents		
Cash assets	155,917	9,300
Deposit at call	<u>265,788</u>	<u>286,084</u>
	<u>421,705</u>	<u>295,384</u>
(b) Reconciliation of profit after tax to net cash from/(used in) operating activities		
Profit after income tax	119,355	51,605
Non cash items		
- depreciation	22,450	28,333
- amortisation	2,000	2,055
- net loss from sale of property, plant and equipment	-	1,151
Changes in assets and liabilities		
- (increase) decrease in receivables / prepayments	4,400	2,759
- increase (decrease) in payables	2,418	10,305
- increase (decrease) in provisions	9,469	(7,322)
- increase (decrease) in income tax payable	37,349	(19,214)
Net cashflows from operating activities	<u>197,441</u>	<u>69,672</u>

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

17. Director and related party disclosures

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

Mr Keith Borthwick
Mr Eric Underwood
Mrs Michele Ripper
Ms Anne Nichols
Mr David Wadey
Mrs Jennifer McMillan
Mr William Lack
Mrs Carolyn Crossley

No related party transaction occurred during the year.

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

Directors shareholdings	2012	2011
Mr Keith Borthwick	1,001	1,001
Mr Eric Underwood	10,000	10,000
Mrs Michele Ripper	1,000	1,000
Ms Anne Nichols	-	-
Mr David Wadey	500	-
Mrs Jennifer McMillan	2,833	2,833
Mrs Carolyn Crossley	-	-
Mr William Lack	-	-

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

18. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

19. Contingent Liabilities and Assets

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

20. Operating segments

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.

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

Notes to the Financial Statements

for the year ended 30 June 2012

21. Corporate Information

Heyfield & District Community Financial Services Limited is a company limited by shares incorporated in Australia.

The registered office of the Company is:

3 Pearson Street
Maffra Victoria 3860

The principal place of business is:

54-56 Temple Street
Heyfield Victoria 3858

22. Dividends paid or provided for on ordinary shares

2012

2011

\$

\$

(a) Dividends paid during the year

Franked dividends - 8 cents per share (2011: 8 cents)

36,001

36,001

(b) Dividends proposed and not recognised as a liability

Franked dividends - 8 cents per share (2011: 8 cents)

36,001

36,001

(c) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of the financial year

48,843

68,003

- Franking credits that will arise from the payment of income tax payable as at the end of the financial year

40,240

2,891

89,083

70,894

The tax rate at which dividends have been franked is 30% (2011: 30%).

23. Earnings per share

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

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

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

Profit after income tax expense

119,355

51,605

Weighted average number of ordinary shares for basic and diluted earnings per share

450,009

450,009

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
For the year ended 30 June 2012

24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 \$	2011 \$
Financial Assets			
Cash & cash equivalents	6	421,705	295,384
Receivables	7	55,687	60,418
Total Financial Assets		<u>477,392</u>	<u>355,802</u>
Financial Liabilities			
Payables	10	43,524	41,106
Total Financial Liabilities		<u>43,524</u>	<u>41,106</u>

Financial Risk Management Policies

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

Specific Financial Risk Exposure and Management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit Risk

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

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

	<u>Carrying Amount</u>	
	2012 \$	2011 \$
Cash and cash equivalents	421,705	295,384
Receivables	55,687	60,418
	<u>477,392</u>	<u>355,802</u>

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
For the year ended 30 June 2012

(b) Liquidity risk

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

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

Financial liability and financial asset maturity analysis

30 June 2012	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial Liabilities due for payment				
Payables	43,524	43,521	-	-
Loans and borrowings	30,781	6,712	24,069	-
Total expected outflows	<u>74,305</u>	<u>50,233</u>	<u>24,069</u>	<u>-</u>
Financial Assets - cashflow realisable				
Cash & cash equivalents	155,917	155,917	-	-
Receivables	55,687	55,687	-	-
Total anticipated inflows	<u>211,604</u>	<u>211,604</u>	<u>-</u>	<u>-</u>
Net (Outflow)/Inflow on financial instruments	<u>285,909</u>	<u>261,837</u>	<u>24,069</u>	<u>-</u>
30 June 2011	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial Liabilities due for payment				
Payables	41,106	41,106	-	-
Loans and borrowings	60,000	61,116	-	-
Total expected outflows	<u>101,106</u>	<u>102,222</u>	<u>-</u>	<u>-</u>
Financial Assets - cashflow realisable				
Cash & cash equivalents	295,384	295,384	-	-
Receivables	60,418	60,418	-	-
Total anticipated inflows	<u>355,802</u>	<u>355,802</u>	<u>-</u>	<u>-</u>
Net (Outflow)/Inflow on financial instruments	<u>456,908</u>	<u>458,024</u>	<u>-</u>	<u>-</u>

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

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(c) Market risk

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

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

Sensitivity analysis

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

	<u>Carrying Amount</u>	
	<u>2012</u>	<u>2011</u>
	\$	\$
Fixed rate instruments		
Financial assets	265,788	286,084
Financial liabilities	(30,781)	-
	<u>235,007</u>	<u>286,084</u>
Floating rate instruments		
Financial assets	155,917	9,230
Financial liabilities	-	(60,000)
	<u>155,917</u>	<u>(50,770)</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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Capital management

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

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

Report on the Financial Report

We have audited the accompanying financial report of Heyfield & District Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the period ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of Heyfield & District Community Financial Services Limited is 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 2012 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 20 September, 2012



Seaspray Surf Lifesaving Club



Heyfield Lions Inc.



Heyfield Hospital



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Share Registry

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