

# HENTY COMMUNITY FINANCIAL SERVICES LIMITED

ABN 20 084 864 835

## **Community Bank®** Hall of Fame Inaugural inductee

Henty Community Financial Services Limited,  
operating Company of  
Henty **Community Bank®** Branch

Presented at the  
**Community Bank®** National Conference  
6 September 2006

by  
Russell Jenkins - Chief General Manager, Bendigo Bank  
on behalf of Bendigo Bank Ltd

Successful customers and successful communities create a successful bank - in that order



# 2007 Annual Report

Henty  
**Community Bank®** Branch  **Bendigo Bank**



Board members: (Back from left to right) Kellie Penfold, Tom Treloar, Graham Booth, John Ellis & Brian Clancy.  
(Seated from left to right) Ann Bahr & Milton Taylor



Staff members: (Back from left to right) Gaynor McLeish, Jan Wheeler, Jacinda Singe, Janette Hahn & Sharon Gardiner.  
(Seated front) Trevor Bullock

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# Chairperson's Report

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For year ending 30 June 2007

The 2006 National Conference of Bendigo Bank branches held in Melbourne 6<sup>th</sup> September 2006 was a very proud occasion for your Henty Community Bank when it was inducted as the inaugural inductee to the Hall of Fame of Bendigo Bank branches.

Considering that there were two hundred branches Australia wide in existence at the point in time, both metropolitan and rural, it was a very proud moment for the members of your board that were present, to be the first branch to receive this auspicious award.

The official plaque confirming this achievement is now affixed to the front entrance to our building.

The financial success of your branch continued to rise as the financial report in this document will attest.

It must be remembered that the accounts must comply with accounting standards and other mandatory professional reporting requirements which may not be fully understood by some shareholders, and so I want to explain that the \$216,717 contribution that your company made towards the reduction of the loan and charitable donations and sponsorships must be added to the trading profit of \$8,260 as shown in the accounts.

The charitable donations and sponsorship contribution was up from \$169,629 the previous year by \$47,088.

Unfortunately we were not able to come to an amicable arrangement with the Henty Community Club Ltd on the completion of stage two of the Civic Centre on both cost and design of the building, as was proposed in last year's report.

This necessitated the board to give priority consideration to other important projects that will benefit the wider community, especially as the Club has informed us that they are not prepared to contribute any funds towards stage two.

Your company has contributed \$1,050,000 towards the Civic Centre project.

We have always been aware of several other major projects that would be of great benefit to the whole community of Henty & District and have been actively engaged in exploring the best way to bring three or four of these projects to reality.

It is anticipated that these projects will determine our next sponsorship programme for at least the next ten to twelve years.

You, the shareholders, will be made aware of these projects in more detail at our A.G.M.

## Chairperson's Report 30 June 2007 continued

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Your board will be recommending that a dividend should be distributed to shareholders again this year and will be included in the agenda of the A.G.M. for your endorsement.

In the 2006 report, Trevor expressed the hope that 2006 - 2007 would see a marked improvement in seasonal conditions. Unfortunately the reality was that we experienced the worst drought in history for this district.

Again this emphasises the credible performance of our branch led by Trevor and the girls under very difficult seasonal conditions.

The board of H.C.F.S. is concerned that there is a culture developing in our community that whatever Henty needs your bank will pay for it.

Whilst Henty Community Financial Services is keen and proud to have been able to make sizeable contributions to various desirable projects, it must be remembered that there is a proportion of our community who do not make any contribution to the banks success, either as shareholders or customers.

I, and all the members of the board of H.C.F.S. are very aware of our responsibility to exercise due diligence in the interest of our shareholders. This will always be uppermost in our minds when making future policy decisions.

On behalf of the board, I wish to sincerely thank those people who have supported the bank with their banking business, enabling us to make sizeable contributions to Henty & District and also to our staff who are the engine room of our success.

My thanks also to the members of the board of H.C.F.S. for their loyal and enthusiastic support over the last twelve months.



**Milton W Taylor**  
**Chairperson**

# Manager's Report

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For year ending 30 June 2007

Your Bank has again achieved a healthy operating surplus of \$232,000 before sponsorship, tax and donations (Henty Civic Centre).

This represents an increase of \$38,000 over last year, from an increased gross income of \$53,000. Thus most of our increased income has reached the bottom line.

We continue to pursue new business, and encourage existing clients to widen their product usage offered by the Bank, as more business can only increase the available profits retained and spent in Henty. We thank all existing clients in this regard.

The proposed merger with Bank of Adelaide will see no material change to your Community Bank. We will still be called Henty Community branch of Bendigo Bank, however, there will be some new and additional products and services to be made available, and the staff will be able to discuss these appropriately in due course.

I wish to thank both the Staff and the Board for their support over the past 12 months, and hope there is a substantial seasonal turnaround in the short term.



Trevor Bullock  
Manager

# Director's Report

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For year ending 30 June 2007

Your Directors submit the financial report of the company for the financial year ended 30 June 2007.

## Directors

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

Milton Wallace Taylor CBE  
Chairman  
Retired Farmer

John Bruce Ellis  
Director  
Real Estate Agent

Erica Ann Bahr  
Director  
Farmer

Graham Charles Booth  
Director  
Retailer

Brian Gerard Clancy  
Director  
Farmer

Kellie Ann Penfold  
Director  
Journalist

Thomas Leonard Treloar (appointed 4 July 2006)  
Director  
Retired School Teacher

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

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

## Principal activities

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

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

## Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was \$8,620 (2006: \$17,122).

Dividends	Year Ended 30 June 2007	
	Cents	\$
Dividends paid in the year:		
- Interim for the year	9	24,083

# Director's Report 30 June 2007 continued

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## **Significant changes in the state of affairs**

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

## **Significant events after the balance date**

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future years.

## **Likely Developments**

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

## **Directors' Benefits**

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

## **Share Options**

No options were granted nor shares issued as a result of the exercise of options during the financial year or since the end of the financial year. No unissued shares are subject to options as at the date of this report.

## **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.

# Director's Report 30 June 2007 continued

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## Directors Meetings

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

**Number of Meetings Held:** 12

**Number of Meetings Attended:**

Milton Wallace Taylor CBE	12
John Bruce Ellis	10
Erica Ann Bahr	11
Graham Charles Booth	8
Brian Gerard Clancy	11
Kellie Ann Penfold	11
Thomas Leonard Treloar (appointed 4 July 2006)	12

## Company Secretary

Erica Bahr has been the company secretary of Henty Community Financial Services Ltd for 8 years. Erica is a farmer and has been involved in Henty community activities for several years.

## Corporate Governance

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

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

# Director's Report 30 June 2007 continued

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## Auditor Independence Declaration

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

### **Richmond Sinnott & Delahunty** Chartered Accountants



10 Forest Street  
PO Box 30  
Bendigo. 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

## Auditor's Independence Declaration

In relation to our audit of the financial report of Henty Community Financial Services Ltd for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott**  
Partner  
Richmond Sinnott & Delahunty  
3 September 2007

Signed in accordance with a resolution of the Board of Directors at Henty, New South Wales on 3 September 2007



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Milton Wallace Taylor CBE, Chairperson

# Financial Statements For year ending 30 June 2007

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## INCOME STATEMENT

	<u>Notes</u>	<b>2007</b> \$	<b>2006</b> \$
Revenues from ordinary activities	2	576,412	523,424
Employee benefits expense	3	(197,713)	(187,765)
Depreciation and amortisation expense	3	(8,765)	(8,187)
Charitable donations and sponsorship		(216,717)	(169,629)
Administration and other expenses from ordinary activities		<u>(137,219)</u>	<u>(129,621)</u>
<b>Profit before income tax expense</b>		15,998	28,222
Income tax expense	4	<u>(7,378)</u>	<u>(11,100)</u>
<b>Profit after income tax expense</b>		<u>8,620</u>	<u>17,122</u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	23	3.22	6.40
- diluted for profit for the year	23	3.22	6.40
- dividends paid per share	22	9.00	8.00

# Financial Statements continued

## BALANCE SHEET

	<u>Notes</u>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
<b>Current Assets</b>			
Cash assets	6	239,521	245,928
Receivables	7	56,272	58,215
Other financial assets	8	2,396	2,633
<b>Total Current Assets</b>		<u>298,189</u>	<u>306,776</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	160,225	163,899
Other financial assets	8	11,137	10,407
Intangible assets	10	2,683	4,683
<b>Total Non-Current Assets</b>		<u>174,045</u>	<u>178,989</u>
<b>Total Assets</b>		<u>472,234</u>	<u>485,765</u>
<b>Current Liabilities</b>			
Payables	11	9,126	10,611
Provisions	13	28,986	25,569
<b>Total Current Liabilities</b>		<u>38,112</u>	<u>36,180</u>
<b>Total Liabilities</b>		<u>38,112</u>	<u>36,180</u>
<b>Net Assets</b>		<u>434,122</u>	<u>449,585</u>
<b>Equity</b>			
Share capital	14	267,585	267,585
Retained earnings	15	166,537	182,000
<b>Total Equity</b>		<u>434,122</u>	<u>449,585</u>

# Financial Statements continued

## CASH FLOW STATEMENT

	<u>Notes</u>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		621,134	572,115
Cash payments in the course of operations		(605,645)	(539,356)
Interest received		8,652	8,117
Dividends received		730	891
Income tax refunded / (paid)		(3,374)	51,764
<b>Net cash flows from operating activities</b>	16b	<u>21,497</u>	<u>93,531</u>
<b>Cash Flows From Investing Activities</b>			
Payments for land, property, plant and equipment		(3,091)	(43,483)
Payments for investments (shares)		(730)	(626)
<b>Net cash flows used in investing activities</b>		<u>(3,821)</u>	<u>(44,109)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(24,083)	(21,391)
<b>Net cash flows used in financing activities</b>		<u>(24,083)</u>	<u>(21,391)</u>
<b>Net increase / (decrease) in cash held</b>		(6,407)	28,031
Add opening cash brought forward		245,928	217,897
<b>Closing cash carried forward</b>	16a	<u>239,521</u>	<u>245,928</u>

# Financial Statements continued

## STATEMENT OF CHANGES IN EQUITY

	2007 \$	2006 \$
<b>SHARE CAPITAL</b>		
<i>Ordinary shares</i>		
Balance at start of year	267,585	267,585
Issue of share capital	-	-
Share issue costs	-	-
<b>Balance at end of year</b>	<u>267,585</u>	<u>267,585</u>
<b>RETAINED EARNINGS</b>		
Balance at start of year	182,000	186,269
Profit after income tax expense	8,620	17,122
Dividends paid	<u>(24,083)</u>	<u>(21,391)</u>
<b>Balance at end of year</b>	<u>166,537</u>	<u>182,000</u>

# Notes to the Financial Statements Year ended 30 June 2007

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## **1. Basis of preparation of the Financial Report**

### **(a) Basis of accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 3 September 2007.

### **(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

### **(c) Significant accounting policies**

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

#### **Income tax**

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

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

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

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

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

# Notes to the Financial Statements Year ended 30 June 2007

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

### Property, plant and equipment

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

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

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

<u>Class of Asset</u>	<u>Depreciation Rate</u>
Plant & Equipment	5.00% - 33.33%
Buildings	2.50%

### Impairment

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

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

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

### Revaluations

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

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

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

### Recoverable amount of assets

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

# Notes to the Financial Statements Year ended 30 June 2007

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

### **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **Employee Benefits**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

### **Intangibles**

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

### **Cash**

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### **Comparative Figures**

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

### **Revenue**

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

# Notes to the Financial Statements Year ended 30 June 2007

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

### Receivables and Payables

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

### Interest Bearing Liabilities

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

### Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### Contributed Capital

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

## 2. Revenue from ordinary activities

	2007	2006
	\$	\$
Operating activities		
- services commissions	560,863	509,732
- other revenue	-	-
Total revenue from operating activities	<u>560,863</u>	<u>509,732</u>
Non-operating activities:		
- interest received	8,652	8,117
- dividends received	1,041	891
- rental revenue	5,856	4,684
- other revenue	-	-
Total revenue from non-operating activities	<u>15,549</u>	<u>13,692</u>
Total revenues from ordinary activities	<u>576,412</u>	<u>523,424</u>

## 3. Expenses

Employee benefits expense		
- wages and salaries	178,075	168,260
- superannuation costs	16,221	15,901
- other costs	3,417	3,604
	<u>197,713</u>	<u>187,765</u>

# Notes to the Financial Statements Year ended 30 June 2007

	2007 \$	2006 \$
<b>3. Expenses (continued)</b>		
Depreciation of non-current assets:		
- plant and equipment	3,588	3,010
- buildings	3,177	3,177
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	<u>8,765</u>	<u>8,187</u>
Bad debts	-	-
<b>4. Income Tax Expense</b>		
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%	4,799	8,466
Add tax effect of:		
- Non-deductible expenses	2,579	2,634
<i>Current income tax expense</i>	<u>7,378</u>	<u>11,100</u>
Income tax expense on operating profit	<u>7,378</u>	<u>11,100</u>
<b>5. Auditors' Remuneration</b>		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the company	<u>3,650</u>	<u>3,650</u>
<b>6. Cash Assets</b>		
Cash at bank and on hand	<u>239,521</u>	<u>245,928</u>
<b>7. Receivables</b>		
Income tax refund	4,544	8,235
Cash balance dividend reinvestment plan	4	5
Trade debtors	<u>51,724</u>	<u>49,975</u>
	<u>56,272</u>	<u>58,215</u>

# Notes to the Financial Statements Year ended 30 June 2007

	2007 \$	2006 \$
<b>8. Other Financial Assets</b>		
<i>Current</i>		
Prepayments	<u>2,396</u>	<u>2,633</u>
<i>Non-Current</i>		
Listed shares at cost	<u>11,137</u>	<u>10,407</u>
Listed shares are readily saleable with no fixed term. There would be no material capital gains tax payable if these assets were sold at reporting date.		
Quoted market value at balance date of investments listed on a prescribed stock exchange was \$21,143 (2006: \$17,247)		
<b>9. Property, Plant and Equipment</b>		
<i>Land</i>		
Freehold land at cost	<u>46,625</u>	<u>46,625</u>
<i>Buildings</i>		
At cost	127,086	127,086
Less accumulated depreciation	<u>(26,251)</u>	<u>(23,074)</u>
	<u>100,835</u>	<u>104,012</u>
<i>Plant and equipment</i>		
At cost	59,897	56,806
Less accumulated depreciation	<u>(47,132)</u>	<u>(43,544)</u>
	<u>12,765</u>	<u>13,262</u>
Total written down amount	<u>160,225</u>	<u>163,899</u>
<b>Movements in carrying amounts</b>		
<i>Building</i>		
Carrying amount at beginning of year	104,012	107,189
Additions	-	-
Disposals	-	-
Depreciation expense	<u>(3,177)</u>	<u>(3,177)</u>
Carrying amount at end of year	<u>100,835</u>	<u>104,012</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	13,262	14,614
Additions	3,091	1,658
Disposals	-	-
Depreciation expense	<u>(3,588)</u>	<u>(3,010)</u>
Carrying amount at end of year	<u>12,765</u>	<u>13,262</u>
<b>10. Intangible Assets</b>		
At cost	87,200	87,200
Less accumulated amortisation	<u>(84,517)</u>	<u>(82,517)</u>
	<u>2,683</u>	<u>4,683</u>

# Notes to the Financial Statements Year ended 30 June 2007

	2007 \$	2006 \$
<b>11. Payables</b>		
Trade creditors	5,001	6,792
GST payable	4,125	3,819
	<u>9,126</u>	<u>10,611</u>
<b>12. Current Tax Liability</b>		
Current income tax	<u>-</u>	<u>-</u>
<b>13. Provisions</b>		
Employee benefits	<u>28,986</u>	<u>25,569</u>
Number of employees at year end	<u>6</u>	<u>7</u>
<b>14. Share Capital</b>		
267,585 Ordinary Shares fully paid of \$1 each	<u>267,585</u>	<u>267,585</u>
<b>15. Retained Earnings</b>		
Balance at the beginning of the financial year	182,000	186,269
Profit after income tax	8,620	17,122
Dividends paid	(24,083)	(21,391)
Balance at the end of the financial year	<u>166,537</u>	<u>182,000</u>
<b>16. Cash Flow Statement</b>		
<b>(a) Reconciliation of cash</b>		
Cash assets	<u>239,521</u>	<u>245,928</u>
<b>(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities</b>		
Profit/(loss) after income tax	8,620	17,122
Non cash items		
- Depreciation	6,765	6,187
- Amortisation	2,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(1,748)	(7,880)
- (Increase) decrease in prepayments	237	4,313
- Increase (decrease) in payables	(1,485)	5,323
- Increase (decrease) in employee benefits	3,417	3,604
- Increase (decrease) in tax provision	3,691	62,862
Net cashflows from / (used in) operating activities	<u>21,497</u>	<u>93,531</u>

# Notes to the Financial Statements Year ended 30 June 2007

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## 17. Director and Related Party Disclosures

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

Milton Wallace Taylor CBE

John Bruce Ellis

Erica Ann Bahr

Graham Charles Booth

Brian Gerard Clancy

Kellie Ann Penfold

Thomas Leonard Treloar (appointed 4 July 2006)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

<b>Directors shareholdings</b>	<b>2007</b>	<b>2006</b>
Milton Wallace Taylor CBE	2,500	2,500
John Bruce Ellis	1,000	1,000
Erica Ann Bahr	250	250
Graham Charles Booth	-	-
Brian Gerard Clancy	750	750
Kellie Ann Penfold	500	500
Thomas Leonard Treloar (appointed 4 July 2006)	1,500	1,500

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

## 18. Subsequent Events

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

## 19. Contingent Liabilities

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

## 20. 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 Henty, NSW.

## 21. Corporate Information

Henty Community Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is: 8 Sladen Street, Henty NSW 2658

# Notes to the Financial Statements Year ended 30 June 2007

## 22. Dividends paid or provided for on ordinary shares

	2007	2006
	\$	\$
<b>(a) Dividends paid during the year</b>		
Current year interim		
Franked dividends - 9 cents per share (2006: 8 cents per share)	24,083	21,391

## (b) Franking credit balance

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

- Franking account balance as at the end of the financial year at 30% (2006: 30%)	168,781	175,415
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	(4,544)	(8,235)
	<u>164,237</u>	<u>167,180</u>

The tax rate at which dividends have been franked is 30% (2006: 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	<u>8,620</u>	<u>17,122</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>267,585</u>	<u>267,585</u>

# Notes to the Financial Statements Year ended 30 June 2007

## 24. Financial Instruments

### Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The company does not have any unrecognised financial instruments at year end.

### Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

### Interest Rate Risk

Financial Instrument	Floating Interest Rate		Fixed Interest Rate maturing in						Non Interest Bearing		Weighted average Effective Interest Rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 %	2006 %
Financial												
Assets												
Cash assets	70,863	99,043	168,658	146,885	-	-	-	-	-	-	5.0%	4.7%
Receivables	-	-	-	-	-	-	-	-	56,272	58,215	N/A	N/A
Listed Shares	-	-	-	-	-	-	-	-	11,137	10,407	N/A	N/A
Financial												
Liabilities												
Payables	-	-	-	-	-	-	-	-	9,126	10,611	N/A	N/A

# Director's Declaration

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In accordance with a resolution of the directors of Henty Community Financial Services Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



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Milton Wallace Taylor CBE, Chairperson

Signed at Henty, New South Wales on 3 September 2007.

# Independent Audit Report

For year ending 30 June 2007

## Richmond Sinnott & Delahunty

Chartered Accountants

31 August 2007

The Directors

Henty Community Financial Services Limited 8 Sladen Street  
HENTY NSW 2658



**Partners:**

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

Dear Directors

We have now completed our review of the financial report of Henty Community Financial Services Limited for year ended 30 June 2007. Subject to the Board of Directors adopting the financial report, we are in a position to issue an unqualified audit opinion on the company's financial report.

### 1. Overview of Audit Approach

Our audit was designed in accordance with Australian Auditing Standards (AUS), which provides for reasonable, rather than absolute, assurance that the financial report is free of material misstatement. The nature and scope of the audit work performed was designed to achieve our primary goal of supporting the audit opinion on the financial report.

### 2. Operations

#### 2.1 Income Statement

	30 June 2007 \$	30 June 2006 \$
Revenue from ordinary activities	576412	523424
Employment benefits expense	(197713)	(187765)
Depreciation & amortisation expenses	(8765)	(8187)
Charitable donations & sponsorship	(216717)	(169629)
Other operating expenses	(137219)	(129621)
Operating profit before income tax	15998	28222
Income tax benefit	(7378)	(11100)
Operating profit after income tax	8620	17122

#### 2.2 Balance Sheet

	30 June 2007 \$	30 June 2006 \$
Current assets	298,189	306,776
Non current assets	174,045	178,989
Total assets	472,234	485,765
Total liabilities	38,112	36,180
Shareholders' equity	434,122	449,585

# Independent Audit Report continued

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## **3. Auditing/Accounting Issues**

During our audit we noted the following matter that we recommend the directors review prior to future audits being completed.

### **3.1 Invoice Authorisation**

During expenditure testing we noted that all invoices selected for testing held no evidence of authorisation for payment. We recommend as best practice that all invoices are initialled by two cheque signatories as a sign of approval.

## **4. Summary of Audit Differences**

There are no material audit differences that have not been included in the financial report for Henty Community Financial Services Limited.

Our work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities, other than those that would influence us in forming our audit opinion. We take this opportunity to thank Trevor Bullock for his assistance in enabling us to complete the annual audit.

Should you have any queries in relation to the above or any other matters please do not hesitate to contact either Stephen Brown or myself.

Yours sincerely



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

# Independent Audit Report continued

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## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HENTY COMMUNITY FINANCIAL SERVICES LIMITED**

### **SCOPE**

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Henty Community Financial Services Limited, for the year ended 30 June 2007.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

# Independent Audit Report continued

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## **INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

## **AUDIT OPINION**

In our opinion, the financial report of Henty Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunt*

## **RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants



## **W. J. SINNOTT**

Partner  
Bendigo

Date: 3 September 2007

# Auditor's Independence Declaration

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## **Richmond Sinnott & Delahunty** Chartered Accountants



3 September 2007

The Directors  
Henty Community Financial Services Limited  
8 Sladen Street  
HENTY NSW 2658

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

Dear Directors

### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Henty Community Financial Services Limited for the year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott**  
Partner  
Richmond Sinnott & Delahunty





Henty Community Bank® Branch  
8 Sladen Street, Henty, NSW 2658  
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Franchisee: Henty Community Financial Services Limited  
8 Sladen Street, Henty, NSW 2658  
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ABN 20 084 864 835

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ABN 11 068 049 178 AFSL 237879  
(Henty ImageTech Sep. 2007)

