

HENTY COMMUNITY FINANCIAL SERVICES LIMITED

ABN 20 084 864 835



2011 Annual Report

Henty and District
Community Bank[®] Branch  Bendigo Bank



Board members: (from left to right) David Carter, Naomi Toogood, Graham Booth, Helen McRorie, Hugh Clancy, Alison Campbell & John Ellis.



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

Notice of Meeting

Henty Community Financial Services Limited
A.B.N. 20 084 864 835

Annual General Meeting

The Annual General Meeting of Shareholders of Henty Community Financial Services Limited will be held Tuesday 8th November 2011 at 8:00 pm at the Henty Civic Centre, South Street, Henty.

Ordinary Business

Notice of Meeting

Confirmation of Minutes of A.G.M. 9th November 2010

Proxies

Chairman's Report

Manager's Report

Appointment of Auditor – Richmond Sinnott & Delahunty

Three Directors must retire in rotation at the Annual General Meeting but are eligible for re-election. They are:

Graham Booth
John Ellis
Naomi Toogood

The below named Directors were appointed after 30th October 2010 and are eligible for re-election:

Alison Campbell
David Carter

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Chairperson's report

For year ending 30 June 2011

Nothing gives a chairperson more pleasure than to congratulate the shareholders, the clients and the bank team for another very successful year. For the financial results refer to the manager's report. A growth in the portfolio shows that our bank is not just a convenience bank. Clients are conducting very real and significant business. The measurable growth in both the number of accounts, and the increase in products and services accessed per account, show that our bank is not "just another bank". People are voting with their feet by moving business to our community bank. This benefits everyone! Congratulations to our shareholders. Without your commitment, not just 13 years ago, but now as well, we are continuing to grow. We often hear of a new client telling how a shareholder told them of the benefit to our community of our community bank.

Congratulations to the clients. Moving business to another bank is not without some inconvenience. However, your decision to support our community bank will allow our bank to support our community even more. Congratulations to our bank team. The manager, Trevor Bullock, leads by example. His experienced assistance to our staff, clients and the board is demonstrated by results. This is "the bottom line". The staff is dedicated to cheerful service, with humour and respect. Being served by our staff is not only efficient, it can "just make your day". Your board is responsible and focused. They have grasped a wider vision for our bank. They do not just apply themselves at meetings; in fact most of the work happens between meetings. Thank you to the shareholders, the clients, and the bank team.

The board have sought to benefit our community in non-financial ways. The free community seminars in law, health, wills, grain marketing and financial planning have all been supported. This is a wider vision by the board to support our community. The board has liaised with Charles Sturt University School of Commerce, and offered a modest financial prize for the best business plan submitted by students using Henty Community Financial Services Ltd as the model. Students can put into practice what they learn in lectures. The board may also benefit from a fresh perspective from new eyes. This initiative has yet to be finalised. Discussions with the Greater Hume Shire Council have resulted in our bank being more meaningful to the shire; while the council has responded by expanding its business relationship with our bank.

The Bendigo Bank Small Grants Program was implemented from January, with its culmination in early June 2011, when \$50,000 was distributed. This resulted in community groups planning their future programs, and where appropriate applying for financial assistance. This had three positive outcomes. Firstly, community groups now plan at least 12 months ahead for projects and support from our bank. Secondly, the bank can put in place a realistic 12-month budget; and thirdly, tax deductability for the bank, was achieved on all financial support to community groups.

Finally the purchase of the "police block" in Allen Street at a cost of \$60,000, is completed. The land has been purchased for a future Henty project.

The ATM, with signs at the bank and both approaches to town, is also a reality. The effect on the bank's profit is positive, and there are about 2000 usages per month. An unexpected outcome was a related growth in new accounts being opened. The ATM has clearly benefited our community.

Chairperson's report 30 June 2011 continued

Another measurable benefit for our community has been the "grants initiative ". This year the board engaged a person to professionally submit grants on behalf of community groups. This initiative has resulted in some \$73,000 flowing into our community that otherwise would have been missed.

In the latter half of the year, two inaugural board members retired — Kellie Penfold and Ann Bahr. Both women have a passion and total commitment to the concept of community banking. They are both "team players ", and always contributed willingly, giving generously of their time and talents.

Kellie will be missed as an ideas person, reflecting her initiative, informed general knowledge and lateral thinking. Kellie was responsible for incoming and outgoing correspondence, including all communication electronically with Bendigo Bank, the Australian Securities and Investment Commission and other statutory bodies. Her role in reporting to the media and advertising evidenced her professional career.

Ann was responsible for all partnerships with schools and churches, and her support of the Early Childhood Committee will bear fruit in the years to come. Ann was the board's first secretary and remained secretary until her retirement. While discussion of incorporating an ATM was a general vision for the board, it was Ann's research and energy which stimulated a board commitment. Two appointments to fill the vacancies occurred.

Alison Campbell brings to the board an extensive experience in the management of community organisations, participation in sport, an informed commitment in many community roles; as well as the management of various family enterprises. Alison will be the minutes secretary, and responsible for schools and churches.

David Carter brings to the board a background in government and journalism. He is currently a sub editor with the Albury-Wodonga Border Mail. David has an understanding of the role of the media and communications in promoting our bank. He will be responsible for all communications in and out for the board.

Our bank has one encompassing vision. To support and assist clients to move forward; to strengthen our community; to grow our bank. Thank you all.

This year following the Chairperson's report we have a Customer and Community report presented by Russell Jenkins. The report presents a wider view of the Bank's standing within the national community.

Yours faithfully,



Graham Booth

Chairperson

Henty Community Financial Services Ltd.

Customer and Community report

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 organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand 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. Based on this, we can predict the community returns should top

\$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through director engagement and education, community consultations and other community solutions (Community Enterprise Foundation[™], Community Sector Banking, Generation Green, Community Telco, Generation Green[™] and Community Enterprises) that will provide boards with further development options.

In Bendigo, your **Community Bank**[®] board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.



Russell Jenkins

Customer and Community report continued

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Bank's Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank (BEN) shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**[®] branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**[®] model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

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

Russell Jenkins
Executive Customer and Community

Manager's report

For year ending 30 June 2011

Like investing in shares in different companies, different share funds, and different property trusts, in an attempt to spread risk and thus grow an overall investment portfolio, mixed farming is a similar concept. The investor looks at price and dividend charts and the farmer looks at weather charts. Individually, both are out of our control. The investor saves his dividends and buys more shares to produce more income, and the farmer saves his profits and buys more land, stock or machinery to improve productivity and thus profits. Some may be both a farmer and investor.

If the investor buys shares in quality companies, or share funds, he can expect capital growth over the longer term, in addition to increased dividends. Correspondingly, the farmers' land value will also increase over time, as well as the profits he makes from it. Both will have short term hiccups like the 'Global Financial Crisis' and droughts! Other industries and people on salaries with residential properties are in a similar situation.

With the drought all but over, and a lot of investments still languishing, perhaps it is time to visit your Bank's Financial Advisor to discuss investment opportunities. Please call any of our staff to organise an appointment at your place, or ours. There is no obligation and the common feedback is "I didn't realise how little is needed to start an investment portfolio"

Your Community Bank (and Bendigo & Adelaide Bank Limited overall) spreads its risk by having its customer base in a diverse range of industries and business mixes.

As at 30th June 2011, our total portfolio reached \$65M for the first time, and we have returned a trading profit of \$236,000, before Depreciation, Sponsorship and Promotion. This is an increase of \$19,000 or 8.8% over 2010.

Support of your Community Bank by yourselves, our shareholders, and our other customers has been fantastic, and whilst thanking you all, we wish this to continue and grow. I am sure each and every one of our customers has at least one other financial product not presently at your Community Bank, and so the challenge is to see where else you can support your Bank, which in turn creates more profits to be returned to community projects. Our friendly staff can discuss our product range with you at any time.

A sincere thank you to Jan, Sharon, Gaynor, Janette and Jacinda on another year of fabulous customer service, and also to the board for their support and assistance throughout.



Trevor Bullock
Branch Manager

Director's report

For year ending 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

Directors

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

Hugh Thomas Clancy
Director
Farmer

John Bruce Ellis
Director
Real Estate Agent

Erica Ann Bahr (Resigned 14 June 2011)
Director
Farmer

Graham Charles Booth
Director/Chairman
Retailer

Kellie Ann Penfold (Resigned 12 April 2011)
Director
Journalist

Helen Margaret McRorie
Director
Legal Conveyancer

Naomi Louise Toogood
Director
Farmer

Alison Campbell (Appointed 12 April 2011)
Director/Secretary
Farmer

David Carter (Appointed 14 June 2011)
Director
Newspaper Editor

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

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was \$11,127 (2010: \$32,135).

Director's report 30 June 2011 continued

Dividends	Year Ended 30 June 2011	
	Cents Per Share	\$
Dividends paid in the year:		
- Interim for the year	10	26,758

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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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.

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.

Indemnification and Insurance of Directors and Officers

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.

Director's report 30 June 2011 continued

Indemnification and Insurance of Directors and Officers - *continued*

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #
John Bruce Ellis	12 (14)
Erica Ann Bahr (Resigned 14 June 2011)	13 (14)
Graham Charles Booth	12 (14)
Kellie Ann Penfold (Resigned 12 April 2011)	9 (11)
Helen Margaret McRorie	14 (14)
Hugh Thomas Clancy	14 (14)
Naomi Louise Toogood	13 (14)
Alison Campbell (Appointed 12 April 2011)	3 (4)
David Carter (Appointed 14 June 2011)	0 (0)

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

Company Secretary

Erica Bahr has been the company secretary of Henty Community Financial Services Ltd since incorporation in 1998. Erica is a farmer and has been involved in Henty community activities for several years.

Alison Campbell has taken over the role as secretary since Erica resigned on the 14 June 2011.

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 2011 continued

Auditor Independence Declaration

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



**Richmond
Sinnott &
Delahunty**

Level 2, 10-16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

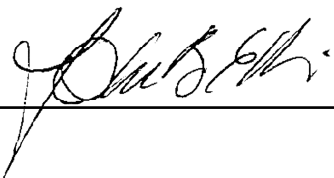
Chartered Accountants

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 2011, 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
9 September 2011

Signed in accordance with a resolution of the Board of Directors at Henty, New South Wales on 9 September 2011



John Bruce Ellis, Director

Financial Statements For year ending 30 June 2011

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	2011 \$	2010 \$
Revenue from continuing operations	2	623,892	582,974
Employee benefits expense	3	(230,748)	(227,836)
Depreciation and amortisation expense	3	(10,016)	(7,657)
Charitable donations and sponsorship		(214,810)	(157,212)
Other expenses		<u>(148,676)</u>	<u>(137,642)</u>
Profit before income tax expense		19,642	52,627
Income tax expense	4	<u>(8,515)</u>	<u>(20,492)</u>
Profit after income tax expense		11,127	32,135
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>11,127</u></u>	<u><u>32,135</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	22	4.16	12.01
- diluted for profit for the year	22	4.16	12.01

Financial Statements continued

STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	6	84,335	166,547
Receivables	7	67,871	62,946
Other financial assets	8	<u>4,305</u>	<u>5,247</u>
Total Current Assets		<u>156,511</u>	<u>234,740</u>
Non-Current Assets			
Property, plant and equipment	9	236,673	169,040
Other financial assets	8	49,335	46,524
Intangible assets	10	<u>4,575</u>	<u>6,575</u>
Total Non-Current Assets		<u>290,583</u>	<u>222,139</u>
Total Assets		<u>447,094</u>	<u>456,879</u>
Current Liabilities			
Payables	11	11,322	8,734
Provisions	12	<u>49,564</u>	<u>46,306</u>
Total Current Liabilities		<u>60,886</u>	<u>55,040</u>
Total Liabilities		<u>60,886</u>	<u>55,040</u>
Net Assets		<u>386,208</u>	<u>401,839</u>
Equity			
Share capital	13	267,585	267,585
Retained earnings	14	<u>118,623</u>	<u>134,254</u>
Total Equity		<u>386,208</u>	<u>401,839</u>

Financial Statements continued

STATEMENT OF CASH FLOWS

	<u>Notes</u>	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		667,257	615,151
Cash payments in the course of operations		(648,813)	(565,350)
Interest received		9,817	9,576
Dividends received		2,814	1,866
Income tax refund / (paid)		(8,069)	14,696
Net cash flows from operating activities	15b	<u>23,006</u>	<u>75,939</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(75,649)	(8,225)
Payments for investments (shares)		(2,811)	(9,157)
Net cash flows used in investing activities		<u>(78,460)</u>	<u>(17,382)</u>
Cash Flows From Financing Activities			
Dividends paid		(26,758)	(24,083)
Net cash flows used in financing activities		<u>(26,758)</u>	<u>(24,083)</u>
Net increase / (decrease) in cash held		(82,212)	34,474
Cash and cash equivalents at start of year		166,547	132,073
Cash and cash equivalents at end of year	15a	<u>84,335</u>	<u>166,547</u>

Financial Statements continued

STATEMENT OF CHANGES IN EQUITY

	<u>Notes</u>	2011 \$	2010 \$
SHARE CAPITAL			
Balance at start of year		267,585	267,585
Issue of share capital		-	-
Share issue costs		<u>-</u>	<u>-</u>
Balance at end of year		<u><u>267,585</u></u>	<u><u>267,585</u></u>
RETAINED EARNINGS			
Balance at start of year		134,254	126,202
Profit after income tax expense		11,127	32,135
Dividends paid	21	<u>(26,758)</u>	<u>(24,083)</u>
Balance at end of year		<u><u>118,623</u></u>	<u><u>134,254</u></u>

Notes to the Financial Statements Year ended 30 June 2011

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Henty Community Financial Services Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

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 9 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 financial statements.

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.

Investments

Investments in listed and unlisted shares are recorded at cost.

Notes to the Financial Statements Year ended 30 June 2011

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.

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 2011

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 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.

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.

Intangibles

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

Cash

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

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

Revenue

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

Receivables and Payables

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

Notes to the Financial Statements Year ended 30 June 2011

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

Loans and Borrowings

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.

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.

2. Revenue from continuing operations

	2011	2010
	\$	\$
Operating activities		
- services commissions	603,576	565,163
	<u>603,576</u>	<u>565,163</u>
Non-operating activities:		
- interest received	9,817	9,576
- dividends received	4,020	2,665
- rental revenue	6,479	4,984
- other revenue	-	586
	<u>20,316</u>	<u>17,811</u>
	<u>623,892</u>	<u>582,974</u>

3. Expenses

Employee benefits expense		
- wages and salaries	208,238	199,214
- superannuation costs	19,252	18,424
- other costs	3,258	10,198
	<u>230,748</u>	<u>227,836</u>

Notes to the Financial Statements Year ended 30 June 2011

3. Expenses (continued)	2011	2010
	\$	\$
Depreciation of non-current assets:		
- plant and equipment	4,534	2,175
- buildings	3,482	3,482
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	<u>10,016</u>	<u>7,657</u>
Bad debts	193	1,883
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%	5,893	15,788
Add tax effect of:		
- Non-deductible expenses	2,622	4,704
<i>Current income tax expense</i>	<u>8,515</u>	<u>20,492</u>
Income tax expense on operating profit	<u>8,515</u>	<u>20,492</u>
5. Auditors' Remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	3,785	3,345
	<u>7,685</u>	<u>7,245</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	<u>84,335</u>	<u>166,547</u>
7. Receivables		
Income tax refund	7,756	6,996
Cash balance dividend reinvestment plan	6	2
Trade debtors	53,819	54,557
GST refund	6,290	1,391
	<u>67,871</u>	<u>62,946</u>

Notes to the Financial Statements Year ended 30 June 2011

8. Other Financial Assets	2011	2010
	\$	\$
<i>Current</i>		
Prepayments	<u>4,305</u>	<u>5,247</u>
<i>Non-Current</i>		
Listed shares at cost	44,335	41,524
Unlisted shares at cost	<u>5,000</u>	<u>5,000</u>
	<u>49,335</u>	<u>46,524</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 \$43,636 (2010: \$38,351).

9. Property, Plant and Equipment

<i>Land</i>		
Freehold land at cost	<u>113,468</u>	<u>53,575</u>
<i>Buildings</i>		
At cost	139,265	139,265
Less accumulated depreciation	<u>(39,874)</u>	<u>(36,392)</u>
	<u>99,391</u>	<u>102,873</u>
<i>Plant and equipment</i>		
At cost	83,025	67,269
Less accumulated depreciation	<u>(59,211)</u>	<u>(54,677)</u>
	<u>23,814</u>	<u>12,592</u>
Total written down amount	<u>236,673</u>	<u>169,040</u>

Movements in carrying amounts

<i>Land</i>		
Carrying amount at beginning of year	53,575	46,625
Additions	59,893	6,950
Carrying amount at end of year	<u>113,468</u>	<u>53,575</u>
<i>Buildings</i>		
Carrying amount at beginning of year	102,873	106,355
Additions	-	-
Disposals	-	-
Depreciation expense	<u>(3,482)</u>	<u>(3,482)</u>
Carrying amount at end of year	<u>99,391</u>	<u>102,873</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	12,592	13,492
Additions	15,756	1,275
Disposals	-	-
Depreciation expense	<u>(4,534)</u>	<u>(2,175)</u>
Carrying amount at end of year	<u>23,814</u>	<u>12,592</u>

2006

2005

Notes to the Financial Statements Year ended 30 June 2011

	2011	2010
	\$	\$
10. Intangible Assets		
At cost	97,200	97,200
Less accumulated amortisation	<u>(92,625)</u>	<u>(90,625)</u>
	<u>4,575</u>	<u>6,575</u>
11. Payables		
Trade creditors	<u>11,322</u>	<u>8,734</u>
12. Provisions		
Employee benefits	<u>49,564</u>	<u>46,306</u>
Movement in employee benefits		
Opening balance	46,306	36,108
Additional provisions recognised	16,018	15,324
Amounts utilised during the year	<u>(12,760)</u>	<u>(5,126)</u>
Closing balance	<u>49,564</u>	<u>46,306</u>
13. Share Capital		
267,585 Ordinary Shares fully paid of \$1 each	<u>267,585</u>	<u>267,585</u>
14. Retained Earnings		
Balance at the beginning of the financial year	102,119	126,202
Profit after income tax	11,127	-
Dividends paid	<u>(26,758)</u>	<u>(24,083)</u>
Balance at the end of the financial year	<u>86,488</u>	<u>102,119</u>
15. Statement of Cash Flows		
(a) Cash and cash equivalents		
Cash assets	<u>84,335</u>	<u>166,547</u>
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	11,127	32,135
Non cash items		
- Depreciation	8,016	5,657
- Amortisation	2,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in receivables / prepayments	(3,223)	(6,887)
- (Increase) decrease in deferred income tax asset	-	13,536
- Increase (decrease) in payables	2,588	(1,552)
- Increase (decrease) in provisions	3,258	10,198
- Increase (decrease) in tax payable / refundable	(760)	20,852
Net cashflows from operating activities	<u>23,006</u>	<u>75,939</u>

Notes to the Financial Statements Year ended 30 June 2011

16. Director and Related Party Disclosures

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

John Bruce Ellis
Erica Ann Bahr (Resigned 14 June 2011)
Graham Charles Booth
Kellie Ann Penfold (Resigned 12 April 2011)
Helen Margaret McRorie
Hugh Thomas Clancy
Naomi Louise Toogood
Alison Campbell (Appointed 12 April 2011)
David Carter (Appointed 14 June 2011)

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.

Directors shareholdings	2011	2010
John Bruce Ellis	1,000	1,000
Erica Ann Bahr (Resigned 14 June 2011)	250	250
Graham Charles Booth	2,000	2,000
Kellie Ann Penfold (Resigned 12 April 2011)	500	500
Helen Margaret McRorie	100	100
Hugh Thomas Clancy	1,150	1,150
Naomi Louise Toogood	100	100
Alison Campbell (Appointed 12 April 2011)	9,000	9,000
David Carter (Appointed 14 June 2011)	500	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. Shares are held directly or via related entities.

17. Subsequent Events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

18. Contingent Liabilities

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

19. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Henty, NSW.

20. 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 2011

21. Dividends paid or provided for on ordinary shares	2011	2010
	\$	\$
(a) Dividends paid during the year		
Franked dividends - 10 cents per share (2010: 9 cents per share)	<u>26,758</u>	<u>24,083</u>

(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	172,139	174,333
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	<u>(7,756)</u>	<u>(6,996)</u>
	<u>164,383</u>	<u>167,337</u>

The tax rate at which dividends have been franked is 30% (2010: 30%).

22. Earnings per share

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

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

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

Profit after income tax expense	<u>11,127</u>	<u>32,135</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 2011

23. Financial risk management

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables, investments 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>	
	<u>2011</u>	<u>2010</u>
	<u>\$</u>	<u>\$</u>
Cash assets	84,335	166,547
Receivables	67,871	62,946
Listed shares at cost	49,335	46,524
	<u>201,541</u>	<u>276,017</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 Ltd.

None of the assets of the Company are past due (2010: 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 investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

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

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

Notes to the Financial Statements Year ended 30 June 2011

23. Financial risk management (continued)

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2011					
Payables	11,322	(11,322)	(11,322)	-	-
	<u>11,322</u>	<u>(11,322)</u>	<u>(11,322)</u>	<u>-</u>	<u>-</u>
30 June 2010					
Payables	8,734	(8,734)	(8,734)	-	-
	<u>8,734</u>	<u>(8,734)</u>	<u>(8,734)</u>	<u>-</u>	<u>-</u>

(c) Market risk

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

Interest Rate Risk

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

Sensitivity analysis

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

	<u>Carrying Amount</u>	
	2011 \$	2010 \$
Fixed rate instruments		
Financial assets	83,523	148,457
Financial liabilities	-	-
	<u>83,523</u>	<u>148,457</u>
Variable rate instruments		
Financial assets	812	18,090
Financial liabilities	-	-
	<u>812</u>	<u>18,090</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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

Notes to the Financial Statements Year ended 30 June 2011

23. Financial risk management (continued)

(d) Net fair values

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

(e) Capital management

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

There are no externally imposed capital requirements, although the nature of the Company is such will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for that amounts the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

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

Director's Declaration

for the year ending 30 June 2011

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 2011 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.



John Bruce Ellis, Director

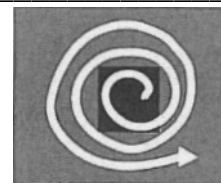
Signed at Henty, New South Wales on 9 September 2011.

Independent Audit Report

For year ending 30 June 2011

Richmond Sinnott & Delahunty

Chartered Accountants



Partners:

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

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Henty Community Financial Services Limited, for the year ended 30 June 2011.

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

Audit approach

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

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

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

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

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

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

Independent Audit Report continued

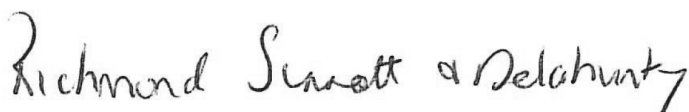
INDEPENDENCE

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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



W. J. SINNOTT
Partner
Bendigo

Date: 9 September 2011

Audit Review

Richmond Sinnott & Delahunty Chartered Accountants



9 September 2011

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 2011. 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 Financial Performance

	30 June 2011	30 June 2010
	\$	\$
Revenue from ordinary activities	623,892	582,974
Employment benefits expense	(230,748)	(227,836)
Depreciation and amortisation expenses	(10,016)	(7,657)
Charitable donations and sponsorship	(214,810)	(157,212)
Other operating expenses	(148,676)	(137,642)
Operating profit / (loss) before income tax	19,642	52,627
Income tax benefit / (expense)	(8,515)	(20,492)
Operating profit / (loss) after income tax	11,127	32,135

Audit Review continued

2.2 Financial Position

	30 June 2011	30 June 2010
	\$	\$
Current assets	156,511	234,740
Non current assets	290,583	222,139
Total assets	447,094	456,879
Total liabilities	60,886	55,040
Shareholder's equity	386,208	401,839

3. Auditing/Accounting Issues

Our audit once again did not highlight any significant issues.

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.

5. Other Matters

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

Auditor's Independence Declaration

Richmond Sinnott & Delahunty

Chartered Accountants



9 September 2011

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 2011, 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

Notice of nomination of person for election as Director

1. Nomination

I, _____ (full name), of
_____ (address)

State that I am a shareholder of Henty Community Financial Services Limited, and nominate the following person to stand for election as a Director of Henty Community Financial Services Limited at the Annual General Meeting on 8 November 2011.

I, _____ (full name), of
_____ (address)
_____ (signature of shareholder) ___/___/___
(date)

2. Consent

I, _____ (full name), of
_____ (address)

accept the nomination to stand for election as a Director of Henty Community Financial Services Limited and confirm the following information is correct and consent to its disclosure as set out below. I also agree to comply with the procedures for a Victorian National Police Records Check.

2.1 Information to be provided to Australian Securities and Investments Commission if elected

Given and family name: (as set out above) _____

All former given and family names: _____

Date and place of birth: _____

Residential Address: _____

2.2 Information that may be included in Henty Community Financial Services Limited Notice of Meeting

Skills and experience: _____

Qualifications: _____
_____ (signature of nominee) ___/___/___
(date)

This notice must be lodged at the Registered Office of Henty Community Financial Services Limited at 8 Sladen Street, Henty NSW 2658 no later than 15 business days before the Annual General Meeting, and no earlier than 60 business days before the Annual General Meeting.

The Annual General Meeting is to be held on 8 November 2011.

NOTE: A person nominated for election to the Board **must** undergo a Victoria Police "National Police Records Check" before being eligible for appointment or election to the Board.



Henty Community Bank[®] Branch
8 Sladen Street, Henty, NSW 2658
Phone: (02) 6929 3683 Fax: (02) 6929 3687

Franchisee: Henty Community Financial Services Limited
8 Sladen Street, Henty, NSW 2658
Phone: (02) 6929 3683 Fax: (02) 6929 3687
ABN 20 084 864 835

www.bendigobank.com.au Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178 AFSL 237879
(Henty ImageTech Sep 2011)

