

HENTY COMMUNITY FINANCIAL SERVICES LIMITED

ABN 20 084 864 835



Year of the Farmer

2012 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 13th November 2012 at 8:00 pm at the Henty Civic Centre, South Street, Henty.

Ordinary Business

Notice of Meeting

Confirmation of Minutes of A.G.M. 8th November 2011

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:

Hugh Clancy

Helen McRorie

Alison Campbell

Contents

Chairperson's report - Graham Booth	3-4
Manager's report	5
Director's report	6-8
Auditor's independence declaration	9
Financial statements	10-13
Notes to the financial statements	14-28
Director's declaration	29
Audit Review	30-32
Independent audit report	33-34
Audit reply	35-36
Proxy voting form	37
Director's Nomination Form	39

Chairperson's report

For year ending 30 June 2012

The last year has been yet again a very successful one for our Bank.

Our valued customers increased their business during the year. The efficiency and leadership of our manager has again been outstanding. The focus and service of the staff evidences a professional culture and a cheerful attitude. The Board has displayed vision and sensible judgment in exercising their role. On these four pillars, the performance of our Bank rests.

Our customers have continued to show their loyalty to our town and district by supporting the Bank, which in turn supports our community. It is pleasing to report that our customers have increased the business by \$3,800,000 to \$68,800,000. Also, our customers have made greater use of the variety of products offered through our Bank.

Even after 14 years, our Bank is continuing to attract new customers. Customers are the backbone of any business. For a Community Bank, it is often an existing customer's recommendation or conversation they may have with people who aren't customers that results in new accounts. These accounts are soon turned into satisfied customers who appreciate having staff and a manager who know them personally and are at their service. The staff are the front line, the face of the Bank. Our staff are professional. They are well trained and professional in meeting our customers' needs. Their professionalism is surpassed only by their friendly and pleasant manner. Banking can be more than just doing business and our staff make banking an experience to enjoy. All of the 300-plus Bendigo Bank branches are independently rated nationally, for their customer service. Our Community Bank is with the best.

Trevor Bullock, our manager, had a major challenge this year which had not been previously encountered. Quite understandably, because of the European and American financial problems, the cost of funds to the Bank increased by more than \$33,000. Simply, the cost of money, which is in turn lent to our customers, increased by this amount. Trevor and the staff were able to maintain the competitive position of our Bank, by expanding the business and keeping a vigorous surveillance on overheads, the drop in profits, which could have been \$33,000 was only \$10,000. It was a very commendable result.

It is a pleasure to serve our shareholders as part of a committed and competent Board. Their direction and enthusiasm never wanes. Board matters are dealt with promptly and effectively. Their sole purpose is to provide as efficiently and fairly those benefits that will improve our community's quality of life. Much of Board business is conducted between meetings by email. Board members have attended regional, state, national and training conferences. Their vision is to place the Bank on a sound footing now and into the future. Initiatives are being implemented that will only bear fruit in the years to come.

Chairperson's report 30 June 2012 continued

Your Board has initiated a 3 year sponsorship of Wagga Wagga's Ronald McDonald House, by the joint contribution from the Riverina's Community Bank branches, and Bendigo Bank's own Company branches. This amounts to a total sponsorship of \$50,000 over three years, with our bank's contribution being \$4,000 over three years. The beneficiaries will be families from all communities in the Riverina.

Our ATM is being well used. Bendigo customers use the ATM without being charged fees. The fee collected from ATM users who are not Bendigo Bank cardholders have resulted in a profit every month.

Our Bank's Small Grants Program continues to support community groups, with about \$50,000 distributed this year. Beneficiaries were the Henty Public School, which bought shirts for the band; St Paul's School, which is installing a kiln for use by the school and the community; Yerong Creek Hall got money towards a portable stage; Culcairn Hospital received a new x-ray machine after Culcairn Lion's Club's appeal was supported; Pleasant Hills Community Hotel was assisted with renovation to the dining area; Henty Mens' Shed was able to lay concrete paths; and Henty and District Preschool was helped financially to put up sunshades for the children

A defibrillator was also supplied to the Henty Football Club for use by the netballers in the winter and the swimming pool in the summer. Henty Community Financial Services Ltd still has \$100,000 set aside for the Henty and District Medical Centre. The upgrade of these facilities will benefit all members of our community

The outlook for the Bank is positive and a good season and harvest will further improve the financial outlook. Our shareholders from the start of the Bank have been the foundation for our growth and continue to be so. My thanks go to all who have made our Community Bank a success this year.

Yours sincerely,



Graham Booth

Chairperson

Henty Community Financial Services Ltd.

Manager's report

For year ending 30 June 2012

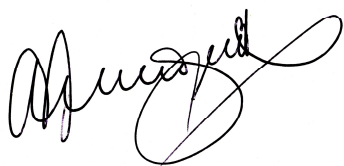
As at 30th June 2012, our total portfolio reached \$68.8M, a growth of \$3.8M for the year. With the current favourable seasonal outlook for the coming harvest, we would hope to achieve the \$70M business level in the short term, which is double the level surveyed prior to opening. This can only happen with the support of our customers, which we must collectively continue to encourage to support their bank.

Our profit before depreciation, amortisation and tax was again in excess of \$200,000 which we are very happy to have achieved.

The girls have continued with their excellent customer service levels, and I sincerely thank Jan, Sharon, Gaynor, Janette and Jacinda for their commitment and dedication to the high service levels achieved. The front cover of this report shows a photo of our in branch Farm Management Deposit (FMD) display in May & June, and for this, combined with the level of FMD's obtained, the girls won the regional competition and so will dine out compliments of our Regional Manager soon.

Next year will be 15 years since we opened and I'm not sure where the time's all gone. I'm now doing Personal Loans for those that were in kindergarten when we started!!!

I would like to thank the board members for their support and assistance with marketing, and generally promoting what we can contribute to the community with all our clients support.



Trevor Bullock
Branch Manager

Director's report

For year ending 30 June 2012

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

Directors

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

Hugh Thomas Clancy
Director
Farmer
Board member since June 2009

John Bruce Ellis
Director
Real Estate Agent
Board member since June 1998

Naomi Louise Toogood
Director
Farmer
Board member since June 2009

Graham Charles Booth
Director/Chairman
Retailer
Board member since June 1998

David Carter
Director
Newspaper Editor
Board member since June 2011

Helen Margaret McRorie
Director
Legal Conveyancer
Board member since June 2009

Alison Campbell
Director/Secretary
Farmer
Board member since April 2011

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

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

Principal activities

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

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

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was \$26,428 (2011 profit: \$11,127).

Financial position

The net assets of the company have increased from \$386,208 at June 30, 2011 to \$384,540 in June 30, 2012. The increase is largely due to improved operating performance of the company.

Dividends

Dividends paid in the year:
- Interim for the year

Cents Per Share

10.5

\$

28,096

Director's report 30 June 2012 continued

Significant changes in the state of affairs

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

Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

Remuneration report

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

Indemnifying officers or auditor

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

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

Director's report 30 June 2012 continued

Directors meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #
John Bruce Ellis	11 (13)
Graham Charles Booth	10 (13)
Helen Margaret McRorie	12 (13)
Hugh Thomas Clancy	12 (13)
Naomi Louise Toogood	12 (13)
Alison Campbell	12 (13)
David Carter	13 (13)

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

Company secretary

Alison Campbell has been the company secretary of Henty Community Financial Services Ltd since June 2011. Alison is a farmer and has been on many local community organisation committees over many 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.

Non audit services

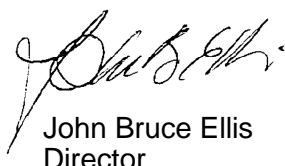
The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in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

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

Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9.

Signed in accordance with a resolution of the Board of Directors at Henty on
17 September 2012.



John Bruce Ellis
Director

Auditor's Independence Declaration



**Richmond
Sinnott &
Delahunty**
Chartered Accountants

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

Telephone: (03) 5443 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au

www.rsdadvisors.com.au

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

To the Directors of Henty Community Financial Services Limited

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

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

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

Richmond Sinnott & Delahunty

RICHMOND, SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 17 September 2012

Financial Statements For year ending 30 June 2012

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	2012 \$	2011 \$
Revenue	2	613,101	623,892
Employee benefits expense	3	(244,943)	(230,748)
Depreciation and amortisation expense	3	(10,856)	(10,016)
Other expenses		<u>(162,678)</u>	<u>(148,676)</u>
Operating profit/(loss) before charitable donations & sponsorship		194,624	234,452
Charitable donations and sponsorship		<u>(151,140)</u>	<u>(214,810)</u>
Profit/(loss) before income tax expense		43,484	19,642
Income tax expense / (benefit)	4	<u>(17,056)</u>	<u>(8,515)</u>
Net Profit/(loss) for the year		26,428	11,127
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>26,428</u></u>	<u><u>11,127</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	22	9.88	4.16
- diluted for profit for the year	22	9.88	4.16

Financial Statements continued

STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	2012 \$	2011 \$
Assets			
Current Assets			
Cash and cash equivalents	6	108,037	84,335
Receivables	7	60,828	67,871
Other financial assets	8	4,729	4,305
Total Current Assets		<u>173,594</u>	<u>156,511</u>
Non-Current Assets			
Property, plant and equipment	9	229,712	236,673
Other financial assets	8	57,349	49,335
Intangible assets	10	2,575	4,575
Total Non-Current Assets		<u>289,636</u>	<u>290,583</u>
Total Assets		<u>463,230</u>	<u>447,094</u>
Liabilities			
Current Liabilities			
Payables	11	11,388	11,322
Provisions	12	57,451	49,564
Current tax liability	4	9,851	-
Total Current Liabilities		<u>78,690</u>	<u>60,886</u>
Total Liabilities		<u>78,690</u>	<u>60,886</u>
Net Assets		<u>384,540</u>	<u>386,208</u>
Equity			
Issued capital	13	267,585	267,585
Retained earnings/(accumulated losses)	14	116,955	118,623
Total Equity		<u>384,540</u>	<u>386,208</u>

Financial Statements continued

STATEMENT OF CASH FLOWS

	<u>Notes</u>	2012 \$	2011 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		658,380	667,257
Cash payments in the course of operations		(610,053)	(648,813)
Interest received		7,814	9,817
Dividends received		3,511	2,814
Income tax refund / (paid)		2,055	(8,069)
Net cash flows from operating activities	15b	<u>61,707</u>	<u>23,006</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,895)	(75,649)
Payments for investments (shares)		(8,014)	(2,811)
Net cash flows used in investing activities		<u>(9,909)</u>	<u>(78,460)</u>
Cash Flows From Financing Activities			
Dividends paid		(28,096)	(26,758)
Net cash flows used in financing activities		<u>(28,096)</u>	<u>(26,758)</u>
Net increase / (decrease) in cash held		23,702	(82,212)
Cash and cash equivalents at start of year		84,335	166,547
Cash and cash equivalents at end of year	15a	<u>108,037</u>	<u>84,335</u>

Financial Statements continued

STATEMENT OF CHANGES IN EQUITY

	<u>Notes</u>	2012 \$	2011 \$
ISSUED 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 / (ACCUMULATED LOSSES)			
Balance at start of year		118,623	134,254
Net Profit/(loss) for the year		26,428	11,127
Dividends paid	21	<u>(28,096)</u>	<u>(26,758)</u>
Balance at end of year		<u><u>116,955</u></u>	<u><u>118,623</u></u>

Notes to the Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

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

The financial statements were authorised for issue by the Directors on 17 September 2012.

(b) Income tax

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

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

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

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

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

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.

Notes to the Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

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

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

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

<u>Class of 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.

(d) Impairment of assets

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

Notes to the Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(e) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

(f) Employee Benefits

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

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

(g) Intangibles

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

(h) Cash

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

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

(i) Revenue

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

(j) Receivables and Payables

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

Notes to the Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(k) New accounting standards for application in future periods

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

(l) Loans and borrowings

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

(m) Provisions

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

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

(n) Share capital

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

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Notes to the Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements (continued)

Income tax

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

Impairment

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

(q) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

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

(i) Loans and receivables

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

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

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

Notes to the Financial Statements Year ended 30 June 2012

2. Revenue from continuing operations

	2012 ₤	2011 ₤
Revenue from continuing activities		
- services commissions	593,546	603,576
	<u>593,546</u>	<u>603,576</u>
Other revenue		
- interest received	7,814	9,817
- dividends received	5,015	4,020
- rental revenue	6,726	6,479
- other revenue	-	-
	<u>19,555</u>	<u>20,316</u>
	<u>613,101</u>	<u>623,892</u>

3. Expenses

Employee benefits expense		
- wages and salaries	216,935	208,238
- superannuation costs	20,121	19,252
- other costs	7,887	3,258
	<u>244,943</u>	<u>230,748</u>
Depreciation of non-current assets:		
- plant and equipment	5,374	4,534
- buildings	3,482	3,482
Amortisation of non-current assets:		
- intangible assets	2,000	2,000
	<u>10,856</u>	<u>10,016</u>
Bad debts	158	193

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%	13,045	5,893
Add tax effect of:		
- Non-deductible expenses	4,011	2,622
<i>Current income tax expense</i>	<u>17,056</u>	<u>8,515</u>
Income tax expense on operating profit	<u>17,056</u>	<u>8,515</u>
<i>Tax Liability</i>		
Current tax payable	<u>9,851</u>	<u>-</u>

Notes to the Financial Statements Year ended 30 June 2012

5. Auditors' remuneration

	2012 \$	2011 \$
Remuneration of the auditor for:		
- Audit or review of the financial report	3,900	3,900
- Share registry services	2,869	3,785
	<u>6,769</u>	<u>7,685</u>

6. Cash and cash equivalents

Cash at bank and on hand	<u>108,037</u>	<u>84,335</u>
--------------------------	----------------	---------------

7. Receivables

Income tax refund	-	7,756
Cash balance dividend reinvestment plan	2	6
Trade debtors	55,023	53,819
GST refund	5,803	6,290
	<u>60,828</u>	<u>67,871</u>

8. Other financial assets

<i>Current</i>		
Prepayments	<u>4,729</u>	<u>4,305</u>
<i>Non-Current</i>		
Listed shares at cost	52,349	44,335
Unlisted shares at cost	5,000	5,000
	<u>57,349</u>	<u>49,335</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 \$44,460 (2011: \$43,636).

Notes to the Financial Statements Year ended 30 June 2012

9. Property, Plant and Equipment

	2012 \$	2011 \$
<i>Land</i>		
Freehold land at cost	113,468	113,468
<i>Buildings</i>		
At cost	139,265	139,265
Less accumulated depreciation	(43,356)	(39,874)
	95,909	99,391
<i>Plant and equipment</i>		
At cost	84,920	83,025
Less accumulated depreciation	(64,585)	(59,211)
	20,335	23,814
Total written down amount	229,712	236,673

Movements in carrying amounts

<i>Land</i>		
Carrying amount at beginning of year	113,468	53,575
Additions	-	59,893
Carrying amount at end of year	113,468	113,468
<i>Buildings</i>		
Carrying amount at beginning of year	99,391	102,873
Additions	-	-
Disposals	-	-
Depreciation expense	(3,482)	(3,482)
Carrying amount at end of year	95,909	99,391
<i>Plant and equipment</i>		
Carrying amount at beginning of year	23,814	12,592
Additions	1,895	15,756
Disposals	-	-
Depreciation expense	(5,374)	(4,534)
Carrying amount at end of year	20,335	23,814

Notes to the Financial Statements Year ended 30 June 2012

	2012 \$	2011 \$
10. Intangible assets		
At cost	77,200	77,200
Less accumulated amortisation	(74,625)	(72,625)
	<u>2,575</u>	<u>4,575</u>
11. Payables		
Trade creditors	<u>11,388</u>	<u>11,322</u>
12. Provisions		
Employee benefits	<u>57,451</u>	<u>49,564</u>
Movement in employee benefits		
Opening balance	49,564	46,306
Additional provisions recognised	7,887	16,018
Amounts utilised during the year	-	(12,760)
Closing balance	<u>57,451</u>	<u>49,564</u>
13. Share capital		
267,585 Ordinary Shares fully paid of \$1 each	<u>267,585</u>	<u>267,585</u>
The company has authorised share capital amounting to 267,585 ordinary shares.		
14. Retained earnings		
Balance at the beginning of the financial year	118,623	134,254
Profit after income tax	26,428	11,127
Dividends paid	(28,096)	(26,758)
Balance at the end of the financial year	<u>116,955</u>	<u>118,623</u>
15. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	<u>108,037</u>	<u>84,335</u>
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	26,428	11,127
Non cash items		
- Depreciation	8,856	8,016
- Amortisation	2,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in receivables / prepayments	(1,137)	(3,223)
- (Increase) decrease in deferred income tax asset	-	-
- Increase (decrease) in payables	66	2,588
- Increase (decrease) in provisions	7,887	3,258
- Increase (decrease) in tax payable / refundable	17,607	(760)

Notes to the Financial Statements Year ended 30 June 2012

16. Director and Related Party Disclosures

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

John Bruce Ellis
Graham Charles Booth
Helen Margaret McRorie
Hugh Thomas Clancy
Naomi Louise Toogood
Alison Campbell
David Carter

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	2012	2011
John Bruce Ellis	1,000	1,000
Graham Charles Booth	2,000	2,000
Helen Margaret McRorie	100	100
Hugh Thomas Clancy	1,150	1,150
Naomi Louise Toogood	100	100
Alison Campbell	9,000	9,000
David Carter	500	500

17. Subsequent Events

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. Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

18. Contingent liabilities and assets

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

19. Operating segments

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being 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 2012

21. Dividends paid or provided for on ordinary shares

2012

2011

\$

\$

(a) Dividends paid during the year

Franked dividends - 10.5 cents per share (2011: 10 cents per share)

28,096

26,758

(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

158,043

172,139

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

9,852

(7,756)

167,895

164,383

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

26,428

11,127

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

267,585

267,585

Notes to the Financial Statements Year ended 30 June 2012

23. Financial risk management

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

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

	Note	2012 \$	2011 \$
Financial Assets			
Cash & cash equivalents	6	108,037	84,335
Receivables	7	60,828	67,871
Total Financial Assets		168,865	152,206
Financial Liabilities			
Payables	10	11,388	11,322
Bank overdraft	11	-	-
Total Financial Liabilities		11,388	11,322

Financial Risk Management Policies

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

Specific Financial Risk Exposure and Management

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

(a) Credit Risk

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

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

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

	Carrying Amount	
	2012 \$	2011 \$
Cash and cash equivalents	108,037	84,335
Receivables	60,828	67,871
	60,828	67,871

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

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

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

Notes to the Financial Statements Year ended 30 June 2012

(b) Liquidity risk

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

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

Financial liability and financial asset maturity analysis

	Total	Within	1 to	Over
30 June 2012	\$	1 year	5 years	5 years
		\$	\$	\$
Financial Liabilities due for payment				
Payables	11,388	11,388	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	11,388	11,388	-	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	108,037	108,037	-	-
Receivables	60,828	60,828	-	-
Total anticipated inflows	168,865	168,865	-	-
Net (Outflow)/Inflow on financial instruments	180,253	180,253	-	-
	Total	Within	1 to	Over
30 June 2011	\$	1 year	5 years	5 years
	\$	\$	\$	\$
Financial Liabilities due for payment				
Payables	11,322	11,322	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	11,322	11,322	-	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	84,335	84,335	-	-
Receivables	67,871	67,871	-	-
Total anticipated inflows	152,206	152,206	-	-
Net (Outflow)/Inflow on financial instruments	163,528	163,528	-	-

Financial assets pledged as collateral

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

Notes to the Financial Statements Year ended 30 June 2012

(c) Market risk

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

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

Sensitivity analysis

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

	<u>Carrying Amount</u>	
	2012	2011
	\$	\$
Fixed rate instruments		
Financial assets	82,928	83,523
Financial liabilities	-	-
	<u>82,928</u>	<u>83,523</u>
Floating rate instruments		
Financial assets	25,109	812
Financial liabilities	-	-
	<u>25,109</u>	<u>812</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities are presented in the table below and can be compared to their carrying amounts as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market with more reliable information available from markets that are actively traded. In this regard, fair value for listed securities are obtained from quoted market bid prices. The company does not have any unrecognised financial instruments at year end.

Notes to the Financial Statements Year ended 30 June 2012

(d) Price risk (continued)

Fair values (continued)		<u>2012</u>		<u>2011</u>	
	Note	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Financial Assets					
Cash & cash equivalents	(1)	108,037	108,037	84,335	84,335
Receivables	(1)	60,828	60,828	67,871	67,871
Investments	(2)	57,349	44,460	49,335	43,636
Total Financial Assets		<u>226,214</u>	<u>213,325</u>	<u>201,541</u>	<u>195,842</u>
Financial Liabilities					
Payables	(1)	11,388	11,388	11,322	11,322
Total Financial Liabilities		<u>11,388</u>	<u>11,388</u>	<u>11,322</u>	<u>11,322</u>

The fair values disclosed above have been determined based on the following methodologies:

(1) Cash and cash equivalents, receivables and payables are short term instruments in nature whose carrying amount is equivalent to fair value. Payables exclude amounts provided for employee entitlements which is outside the scope of AASB 139.

(2) Fair values of investments are based on closing quoted bid prices at the end of the reporting period. The directors have no intention of selling this investment in the future. Consequently such investments are recognised at cost in the Statement of Financial Position.

Capital management

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

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

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

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

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

Director's Declaration

for the year ending 30 June 2012

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

- 1 the financial statements and notes of the company as set out on pages 6 to 23 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
- 2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



John Bruce Ellis
Director

Signed at Henty, New South Wales on 17 September 2012.

Audit Review



**Richmond
Sinnott &
Delahunty**
Chartered Accountants

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

Telephone: (03) 5443 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

17 September 2012

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

Dear Directors

We have now completed our review of the financial report of Henty Community Financial Services Limited for year ended 30 June 2012. 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 2012 \$	30 June 2011 \$
Revenue from ordinary activities	613,101	623,892
Employment benefits expense	(244,943)	(230,748)
Depreciation and amortisation expenses	(10,856)	(10,016)
Other operating expenses	(162,678)	(148,676)
Operating profit before charitable donations & sponsorship	194,624	234,452
Charitable donations & sponsorship	(151,140)	(214,810)
Profit before income tax expense	43,484	19,642
Income tax expense	(17,056)	(8,515)
Operating profit after income tax	26,428	11,127

Audit Review continued

2.2 Financial Position

	30 June 2012 \$	30 June 2012 \$
Current assets	173,594	156,511
Non current assets	289,636	290,583
Total assets	463,230	447,094
Total liabilities	78,690	60,886
Shareholder's equity	384,540	386,208

3. Auditing/Accounting Issues

During our audit we noted the following issues which are brought to your attention.

3.1 Stale Cheques

During our review of the bank reconciliation process, we noted two long dated cheques that had not been presented. We recommend these are reviewed and cleared as appropriate. These cheques are over twelve months old and will either need to be reissued or the expense cancelled.

3.2 Franchise Fee Renewals

During our audit of the income tax calculations, we note that the franchise fees have been included as a non-deductible item.

We take this opportunity to refer you to the private ruling made in a recent case with a Community Bank Company where it was determined that the franchise fee renewals were in fact an allowable deduction. The Directors of the Company should review this private ruling to determine if they can adopt the principles and claim a deduction.

If it is determined that a deduction can be claimed for franchise fees, the Directors can take the opportunity to also amend the past 5 years tax returns to claim this deduction if applicable.

We recommend the Directors review the possibility of claiming the deductibility of franchise fees for the future years.

Audit Review continued

3.3 Investments

It was noted that the investment of shares in Bendigo and Adelaide Bank Ltd was recorded at cost of \$52,349 rather than market value. We assessed the market value at year end to be \$44,460 based on the share price at 30 June, 2012.

The accounting policy in relation to investments indicates the entity at each reporting date assesses whether there is any indication that an asset is impaired and where it is determined the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and written down to its recoverable amount.

We have determined that the movement is not material to the financial statements for the year ended June 30 2012, however recommend the Directors continue to monitor the value of the investment in future financial years.

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.

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

Yours sincerely



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Independent Audit Report



**Richmond
Sinnott &
Delahunty**
Chartered Accountants

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

Telephone: (03) 5443 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au

www.rsdadvisors.com.au

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

Report on the Financial Report

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

Director's responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Independent Audit Report continued

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Henty Community Financial Services Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1 (a).



RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



W. J. Sinnott
Partner

Dated at Bendigo, 17 September 2012

Audit Reply

Henty
Community Financial Services Limited



17 September 2012

Richmond Sinnott & Delahunty
PO Box 30
BENDIGO VIC 3552

RE: HENTY COMMUNITY FINANCIAL SERVICES LIMITED AUDIT

Dear Sirs

Pursuant to your request in and connection with your audit of Henty Community Financial Services Limited ('the Company') for the year ended 30 June 2012, we submit the following representations after making appropriate enquiries and according to the best of our knowledge and belief.

General

1. All financial records and related data have been made available for inspection. All material transactions have been properly recorded in the accounting records underlying the financial statements.
2. There have been no irregularities involving management or employees that could have an effect on the financial statements.
3. Except as disclosed to you there have been no:
 - Violations or possible violations of laws or regulations, the effects of which should be considered for disclosure in the financial report or as a basis for recording a contingent loss; or
 - Communications from regulatory authorities concerning non-compliance with, or deficiencies in, financial reporting practices.
4. We have established and maintained an adequate internal control structure to facilitate the preparation of reliable financial statements.
5. We have no plans or intentions that may materially affect the carrying values, or classifications of assets and liabilities.

Assets

6. There were no deficiencies or encumbrances attaching to the title of the assets of the Company at balance date other than those reflected in the financial statements.

Audit Reply continued

Liabilities

7. All liabilities which have arisen out of the activities of the Company to the end of the financial year have been included in the financial report.
8. There are no contractual commitments for capital expenditure at balance date not included in the financial statements.
9. There are no contingent liabilities, including guarantees, at balance date, which are not disclosed in the financial statements or the notes thereto.

Other

10. No events have occurred subsequent to balance date, which would require adjustments to, or disclosure in the financial statements.
11. The Board has completed budgets and cashflow projections for the coming year and is satisfied that the Company will continue as a going concern.
12. Other than as detailed in the financial statements, the Company is not aware of any breach or non-compliance with the terms of any contractual arrangements, however caused, which could initiate claims on the Company and which would have a material effect on the financial statements.
14. The minutes of the Directors Meetings made available to you are a complete and authentic record of all meetings since 1 July 2011 to 30 June 2012.
15. All related party transactions (including number of shares held by Directors at 30 June 2012 and 30 June 2011) and related amounts receivable and payable have been properly recorded and disclosed in the financial statements.

We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the Company's financial statements and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

For and on behalf of the Board



John Bruce Ellis
Director

All correspondence addressed to:
Henty Community Financial Services Limited
8 Sladen Street, Henty, NSW 2658
Henty Community Financial Services Limited ACN 084 864 835.
Franchisee of Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL No. 237 879.

(S4284)

Proxy Form

Henty Community Financial Services Limited

(Mark boxes with an X as shown ☒)

A.B.N. 20 084 864 835

I/We
(Print Name)

.....
(Signature)

being a registered shareholder of
Henty Community Financial Services Limited
hereby appoint:

☐ The Chairperson of the meeting

OR

☐
Name of Proxy

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 13 November 2012.

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 and District 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 2012)

