

Heyfield & District Community Financial Services Limited



2010 Annual Report

Vision Statement

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

Mission Statement

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

Statement of Values

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

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

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

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

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



Report from the Chair

Dear shareholders,

The 2009/2010 financial year opened under the gloomy shadow of the global financial crisis. To aggravate matters, from November 2009, we were without a full-time manager to guide the branch through these trying times.

However, despite these challenges, we ended the reporting season in a sunny position. We have emerged from the world's doom and gloom, sporting a very healthy double-digit income growth, well above the targeted forecast.

From this position, we have continued to support worthy projects in our district. This enables our Kinder, schools, sports clubs, hospital, ambulance auxiliary etc... to improve their amenities and services for the benefit of all our community. Over the past nine years, we have contributed in grants, sponsorships and pledges, over \$430,000.00 and \$135,000.000+ to our shareholders.

The **Community Bank®** model has certainly worked for Heyfield and its environs and we intend to continue being an intrinsic and positive part of this very proactive community. The board asks all shareholders to become advocates for the bank and help spread the word. The more customers we have, the more we can contribute back into the community.

As mentioned in our newsletters, the board is in full swing making plans for the future. As a first step, we require the approval of our shareholders to change the name of our company from *Heyfield & District Community Financial Services Limited* to *Wellington Community Enterprises Limited*. This will give us the freedom to look beyond purely financial business opportunities. The name change of our company does not alter the name of our bank branch. The bank will remain Heyfield & District **Community Bank®** Branch.

A further step we are taking towards the future is to renovate the branch, making it easier to do business with our customers and offer a broader customer service involving Bendigo Bank's insurance, financial planning and business banking products. We have also streamlined our staffing

arrangements freeing our manager Scott McNicol and customer relationship manager, Tamarah Smith to write more business.

In closing, the board and branch have experienced a renewal through this financial year. This is a good sign ensuring new ideas and energy continue to underpin our **Community Bank®**. The board would like to thank, Alan Broadbent, David Graham, Sarah Bardsley, Clare Adams and Tina McGill for their contribution and welcome, Brendan Hunt, Jenny McMillan to our board; Scott McNicol our new branch manager and Shannon Daley to the team. We would also like to thank Leanne Murphy, the relieving manager. (Leanne helped keep the branch on track until we found our new manager). In addition, a big thank you to Chris Thomas, the board's PA. Chris takes care of the operational side of board business and enables us to progress and action our ideas.

Our appreciation also goes to our new manager Scott, who has embraced the **Community Bank®** model and has settled in really well and our friendly bank staff, Tamarah, Shannon, Kerry and Jane.

We are proud of the relationship we have with our partners, Bendigo and Adelaide Bank and look forward to an on-going association with them.

We invite our valued shareholders to join us on 28 October 2010 at the Heyfield Wetlands at 7.30pm and thank you all for having faith in the board and branch.

Finally, I would like to thank my fellow board members for their enthusiasm, knowledge and dedication; it has been a pleasure to work through all our challenges with such a positive team.



Michèle Ripper
Chair
Heyfield & District Community
Financial Services Limited

*C.A.N.I .Continuous and Never-ending
Improvement*

Board of Directors 2009 – 2010



Michèle Ripper
Director



Martin Swanson
Vice Chair



Keith Borthwick
Company Secretary



David Wadey
Director



Anne Nichols
Director



Eric Underwood
Director



Brendan Hunt
Director



Jennifer McMillan
Director



Christine Thomas
Company Personal
Assistant

Outgoing Board Members



Alan Broadbent OAM
Chairman



Anthony Donahoe
Director



Sarah Bardsley
Director



David Graham
Treasurer

Manager's Report

It is with great pleasure that I submit my first report to shareholders for the financial year ended 30th June 2010.

The branch has continued to perform well over the past 12 months, despite the "credit crunch" still being a major issue for all banking institutions. Our results are even more pleasing when we stop to think about those institutions that have not made it through these difficult times.

We have also faced our own challenges with both the branch and our customers working through disruptions with key positions in our branch being vacant for some time whilst the board went through a thorough recruitment process.

This year saw both Clare Adams (Branch Manager) and Tina McGill (Customer Service Officer) deciding it was time to move on to face new and exciting challenges in their lives. I wish both Clare and Tina well in their future endeavours.

These two vacancies in staff positions have seen me come on board as the new Branch Manager, returning home to Gippsland after a 7 year stint working in Melbourne, and Shannon Daley more recently joining our team as our new full time Senior Customer Service Officer. Shannon brings with her experience from her previous role with the CBA in Maffra.

For the 2009/10 financial year we recorded growth of \$6.1 million, achieving a total balance sheet of \$69.6 million.

Our branch now holds 3504 Accounts across 1,950 customers, which is a steady increase from this time last year. The branch processed 100 loan applications and whilst this is down on the 111 processed last year, when taken into account the continued tough economic times and a vacant Manager's position for several months, it is still a fantastic result.

Our ATM continues to provide the people of Heyfield and District with 24/7 access to their funds with an average of 6,000 transactions processed per month. On average approximately 36% of total transactions are those of non BBL customers which represents significant income for our branch and future business opportunities.

Our branch continues to provide superior customer service and together with our involvement in the local community it provides us our point of difference to the major banks. This year we have put back into the community by way of sponsorships and grants a further \$74,000. On top of this we have also provisioned a further \$80,000. This is a fantastic result and sees our total contribution back to the community over the past 9 years at \$430,000, demonstrating the success of the **Community Bank®** model.

Success is a real team effort. I would like to acknowledge the following staff members for the support and dedication shown to our customer's everyday. Thanks to Lee-Anne, Tamarah, Jane, Kerry and Tina for your hard work throughout the year in some very tough times. I would also like to thank our Board's Personal Assistant, Chris Thomas for her help and support. Thanks also to our Board members that day in day out give their own time to ensure the continued success of our **Community Bank®**. Last but certainly not least, thank you to our customers and shareholders who continue to support the **Community Bank®** model. It is with your support that we can continue to grow and in turn release funding back into the townships where it so dearly needed.

We look to the year ahead with positive enthusiasm, confident with support from you all that we can continue to grow for the benefit of the community.

Scott McNicol
Branch Manager

Our Branch Team



Scott McNicol
Branch Manager



Tamarah Smith
Customer
Relationship
Manager



Shannon Daley
Customer Service
Officer



Kerry Anderson
Customer Service
Officer



Jane McInnes
Customer Service
Officer



Tina McGill
Resigned



Heyfield Hospital Scholarship - The Board in conjunction with the Heyfield Hospital awarded its second scholarship to Lauren Hayes who is currently studying nursing at Monash University. When Lauren completes her training she will be working at the Heyfield Hospital. Lauren stated "Being awarded this scholarship from the Heyfield & District **Community Bank**[®] Branch has motivated me to pursue my dream career of Nursing in a country community. What a wonderful start to my career and I look forward to starting work in Heyfield."

Lauren Hayes- Glengarry

Heyfield Community Resource Centre - Sustainable Smart Town Project. The Heyfield Resource Centre approached the Board with a request to help fund their endeavours to make Heyfield a "Sustainable Smart Town". They required help to fund the promotion of this project. Pictured is Centre Co-ordinator Judy Doolan and Debbie Horoba Gippsland Green Centrepoin Co-ordinator receiving a cheque from Scott McNicol, Branch Manager and Shannon Daley, Senior Customer Service Officer.

Judy and Deb were pleased to receive support from the Board for what they feel is a very worthwhile project for the area and the community at large.



Heyfield Golf Club - When the Heyfield Golf Club decided to upgrade their watering system at the Course they approached the Board to help them fund a new pump to sustain the new system. In these dry times water efficiency is a necessity and the Board was pleased to help the Golf Club achieve this. Pictured is Director Sarah Bardsley presenting a cheque to members of the Golf Club.



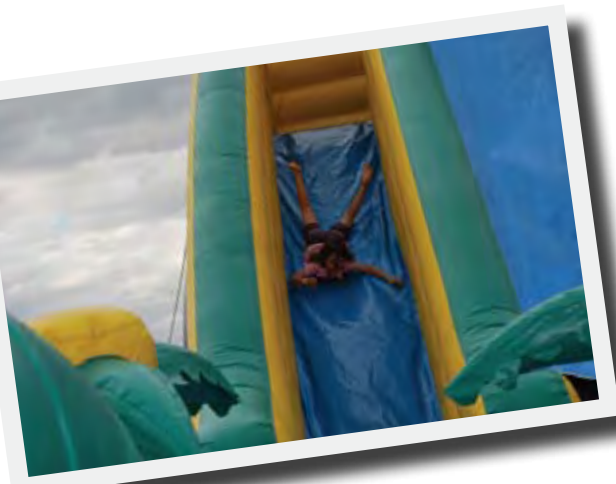
Heyfield Bowls Club - The Heyfield Bowls Club has a new façade for their Clubrooms thanks to grant from the Heyfield & District **Community Bank**[®] Branch. Pictured is the new Chair of the **Community Bank**[®] Board - Mrs Michèle Ripper presenting a cheque for \$5000 to the Club President Don Sundermann and other club members. Michèle said "the Board of the **Community Bank**[®] was delighted to support the project which gave a new face to the Bowls Club and in turn improved the streetscape of Heyfield.". Mr Sundermann responded by saying "that thanks to the **Community Bank**[®] the Bowls Club was very pleased to see this project through to its completion and appreciated the support received from the **Community Bank**[®] with their contribution."



Nambrok-Denison School - the Heyfield & District **Community Bank**[®] Branch generously sponsored the children's entertainment for the annual school fete / auction on the 2nd of May 2010. This enabled the school to provide quality children's entertainment without concern for covering costs. Children were able to ride the bucking bull, slide down a giant slide and bounce on a fantastic jumping castle. Other children's entertainment included face painting, making placemats, tug of war competitions and participating in sack races. Fairy floss and show bags were popular purchases for the children.

Children are our priority at Nambrok Denison, so it is fantastic to have a sponsor that supports this.

Jenny Dowsett- Principal Nambrok-Denison Primary School





Variety - A donation of \$500 was made to the hard working fund raising effort of local team- Dean and Janet Stoddart for their Variety Bash. Each year they work tirelessly to raise money for the Variety Club and local children. Their theme was "The Stig" and they all dressed like him. This year the "Bash" went from Ballarat to Margaret River in WA.

Heyfield & District Community Resource Centre folk art students last year painted Christmas decorations to be put up around the town. Although a small group of workers they achieved great results which will last many years and give the town some Christmas Spirit during the festive season. Funds were given to enable the group to buy materials for this project



Glenmaggie Mechanic's Institute received a fund boost with a donation of \$5000 to go towards their new roof. This historic Federation style hall has been lovingly restored by a band of dedicated volunteers and the Board wishes them well in their future efforts and hope they keep up the good work.



Heyfield Wetlands volunteers will be planting more trees again this season thanks to a \$1776 grant from the Heyfield & District **Community Bank**® Branch. With the funds they received trees, stakes and tree guards were purchased. One must agree that the Wetlands looks great and is a fine asset to the town of Heyfield.



Cowwarr Primary School has established a great Kitchen Garden and now wants to renovate their old kitchen so that they can learn to prepare and cook their produce. The children are very involved in this process and have used a lot of the produce from last year's garden to make preserves which they have sold throughout the year. The Board was very happy to partly fund this project so that they can continue in their efforts.



Newry Christmas Pageant - Each year an Ecumenical Pageant is held and with support from the Heyfield & District **Community Bank**® Branch they are able to build props and print the songbooks as well have qualified electricians to install the lighting. It is a joy to see the pleasure on the children's faces as they participate in this event.

Now in its 13th year, the **Community Bank**[®] network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank**[®] branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than \$16.3 billion.

Our **Community Bank**[®] customers have been served by more than 1150 staff that are supported by almost 1700 volunteer directors.

And these directors are endorsed by around 63,000 shareholders who have received more than \$14.7 million in dividends, a reward for their belief in the **Community Bank**[®] concept.

All of this support has enabled the **Community Bank**[®] network to return more than \$40.3 million to assist local community groups and projects since the first **Community Bank**[®] branch opened in 1998.

These figures add up to a strong **Community Bank**[®] network, a franchise of the Bendigo and Adelaide Bank, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank**[®] network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pyrmont **Community Bank**[®] Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank**[®] network generates for its local communities.

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank**[®] network.



Russell Jenkins
Executive Customer and Community



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

In accordance with a resolution of the directors of Heyfield & District Community Financial Services Limited, 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 2010 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.



Michele Ripper, Chairman

Signed at Heyfield, Victoria on 16 September 2010

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

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

Directors

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

Mr Alan Broadbent (resigned 10 December 2009)
Chairman
Occupation: Motel proprietor/farmer

Mr Keith Borthwick
Secretary
Occupation: Solicitor

Mr David Graham (resigned 29 July 2010)
Director
Occupation: Business proprietor

Mr Martin Swanson
Director
Occupation: Business Proprietor

Mr Eric Underwood
Director
Occupation: Retired

Mr David Wadey
Director
Occupation: Real Estate Agent

Mrs Michele Ripper
Chairman
Occupation: Dance Instructor

Ms Sarah Bardsley (resigned 24 June 2010)
Director
Occupation: Marketing & Communications Manager

Ms Anne Nichols
Director
Occupation: TAFE Co-ordinator / Manager

Mr Anthony Donahoe (resigned 8 February 2010)
Director
Occupation: Admin/Project leader

Mr Brendan Hunt (appointed 29 July 2010)
Director
Occupation: TV Advertising Executive

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

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

Anne Nichols changed her name from Anne Hellyer during the financial year.

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 \$79,040 (2009: \$47,358).

Dividends	<u>Year Ended 30 June 2010</u>	
	Cents Per Share	\$
Dividends paid in the year	7	31,501

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

Significant changes in the state of affairs

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

Significant events after the balance date

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

Likely Developments

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

Directors' Benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

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.

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.

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

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Mr Alan Broadbent (resigned 10 December 2009)	5 (6)	N/A
Mr David Graham (resigned 29 July 2010)	10 (13)	6 (6)
Mr Eric Underwood	10 (12)	N/A
Mrs Michele Ripper	11 (13)	N/A
Ms Anne Nichols	12 (13)	N/A
Mr Keith Borthwick	13 (13)	6 (6)
Mr Martin Swanson	13 (13)	6 (6)
Mr David Wadey	11 (11)	N/A
Ms Sarah Bardsley (resigned 24 June 2010)	9 (12)	N/A
Mr Anthony Donahoe (resigned 8 February 2010)	6 (8)	N/A
Mr Brendan Hunt (appointed 29 July 2010)	0 (0)	N/A

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

N/A - not a member of that Committee

Company Secretary

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

Corporate Governance

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

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

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

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants



172-176 McIvor Rd
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail:
rsd@rsd advisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Heyfield & District Community Financial Services Limited for the financial year ended 30 June 2010, 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
16 September 2010

Signed in accordance with a resolution of the Board of Directors at Heyfield, Victoria on 16 September 2010.



Michele Ripper, Chairman

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Comprehensive Income
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenue from ordinary activities	2	696,815	622,677
Employee benefits expense	3	(246,076)	(271,668)
Depreciation and amortisation expense	3	(30,164)	(24,227)
Charitable donations and sponsorship		(161,579)	(116,272)
Finance costs	3	(6,704)	(3,183)
Other expenses from ordinary activities		<u>(136,820)</u>	<u>(137,917)</u>
Profit before income tax expense		115,472	69,410
Income tax expense	4	<u>36,432</u>	<u>22,052</u>
Profit after income tax expense		79,040	47,358
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>79,040</u></u>	<u><u>47,358</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	23	17.56	10.52
- diluted for profit for the year	23	17.56	10.52

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Financial Position
As at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	324,832	262,628
Prepayments		1,841	2,332
Receivables	7	61,516	53,203
Total Current Assets		<u>388,189</u>	<u>318,163</u>
Non-Current Assets			
Property, plant and equipment	8	328,058	340,747
Intangible assets	9	1,781	3,781
Total Non-Current Assets		<u>329,839</u>	<u>344,528</u>
Total Assets		<u>718,028</u>	<u>662,691</u>
Current Liabilities			
Payables	10	30,801	26,988
Current tax liability	4	22,105	11,155
Loans and borrowings	12	7,031	6,583
Provisions	11	22,428	22,812
Total Current Liabilities		<u>82,365</u>	<u>67,538</u>
Non-Current Liabilities			
Loans and borrowings	12	73,478	80,507
Total Non-Current Liabilities		<u>73,478</u>	<u>80,507</u>
Total Liabilities		<u>155,843</u>	<u>148,045</u>
Net Assets		<u>562,185</u>	<u>514,646</u>
Equity			
Share capital	13	450,009	450,009
Asset revaluation reserve	14	123,826	123,826
Accumulated losses	15	(11,650)	(59,189)
Total Equity		<u>562,185</u>	<u>514,646</u>

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Cash Flows
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		732,663	648,214
Cash payments in the course of operations		(595,098)	(564,221)
Interest received		10,382	19,958
Income tax paid		(25,482)	(22,565)
Borrowing costs		(6,704)	(3,183)
Net cash flows from operating activities	16b	<u>115,761</u>	<u>78,203</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(15,475)	(118,740)
Net cash flows used in investing activities		<u>(15,475)</u>	<u>(118,740)</u>
Cash Flows From Financing Activities			
Proceeds from borrowings		-	87,090
Repayment of borrowings		(6,581)	-
Dividends paid		(31,501)	(31,501)
Net cash flows from / (used in) financing activities		<u>(38,082)</u>	<u>55,589</u>
Net increase / (decrease) in cash held		62,204	15,052
Cash and cash equivalents at start of year		262,628	247,576
Cash and cash equivalents at end of year	16a	<u><u>324,832</u></u>	<u><u>262,628</u></u>

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Changes in Equity
As at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
SHARE CAPITAL			
Balance at start of year		450,009	450,009
Issue of share capital		-	-
Share issue costs		<u>-</u>	<u>-</u>
Balance at end of year		<u><u>450,009</u></u>	<u><u>450,009</u></u>
ASSET REVALUATION RESERVE			
Balance at start of year		123,826	123,826
Revaluation during the year		<u>-</u>	<u>-</u>
Balance at end of year		<u><u>123,826</u></u>	<u><u>123,826</u></u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)			
Balance at start of year		(59,189)	(75,046)
Profit after income tax expense		79,040	47,358
Dividends paid	22	<u>(31,501)</u>	<u>(31,501)</u>
Balance at end of year		<u><u>(11,650)</u></u>	<u><u>(59,189)</u></u>

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Heyfield & District Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 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 16 September 2010.

(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.

(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 2009 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.

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

**Notes to the Financial Statements
for the year ended 30 June 2010**

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

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

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

Impairment

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

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

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

Revaluations

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

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

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

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

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

**Notes to the Financial Statements
for the year ended 30 June 2010**

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

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.

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.

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
for the year ended 30 June 2010

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

Comparative Figures

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

Revenue

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

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.

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 ordinary activities

	2010	2009
	\$	\$
Operating activities		
- services commissions	685,843	601,926
Total revenue from operating activities	<u>685,843</u>	<u>601,926</u>
Non-operating activities:		
- interest received	10,382	19,958
- other revenue	590	793
Total revenue from non-operating activities	<u>10,972</u>	<u>20,751</u>
Total revenue from ordinary activities	<u><u>696,815</u></u>	<u><u>622,677</u></u>

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

**Notes to the Financial Statements
for the year ended 30 June 2010**

3. Expenses

	2010	2009
	\$	\$
Employee benefits expense		
- wages and salaries	195,914	237,028
- superannuation costs	16,965	19,657
- workers' compensation costs	752	853
- other costs	32,445	14,130
	<u>246,076</u>	<u>271,668</u>
Depreciation of non-current assets:		
- plant and equipment	21,740	16,305
- leasehold improvements	6,424	5,922
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	<u>30,164</u>	<u>24,227</u>
Finance costs:		
- borrowing costs	6,704	3,183

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%	34,642	20,822
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	1,790	1,230
<i>Current income tax expense</i>	<u>36,432</u>	<u>22,052</u>
Income tax expense	<u>36,432</u>	<u>22,052</u>
Tax liabilities		
Current tax payable	<u>22,105</u>	<u>11,155</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	3,650
- Share registry services	814	1,800
	<u>4,714</u>	<u>5,450</u>

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

**Notes to the Financial Statements
for the year ended 30 June 2010**

	2010	2009
	\$	\$
6. Cash and Cash Equivalents		
Cash at bank and on hand	55,330	38,496
Deposits at call	269,502	224,132
	<u>324,832</u>	<u>262,628</u>
7. Receivables		
Trade debtors	<u>61,516</u>	<u>53,203</u>
8. Property, Plant and Equipment		
<i>Land</i>		
Freehold land at cost	<u>17,500</u>	<u>17,500</u>
<i>Buildings & improvements</i>		
At cost	133,089	133,089
Revaluation #	123,826	123,826
Less accumulated depreciation	<u>(22,003)</u>	<u>(15,579)</u>
	<u>234,912</u>	<u>241,336</u>
<i>Plant and equipment</i>		
At cost	31,189	28,533
Less accumulated depreciation	<u>(10,334)</u>	<u>(7,388)</u>
	<u>20,855</u>	<u>21,145</u>
<i>Furniture & Fittings</i>		
At cost	137,354	124,535
Less accumulated depreciation	<u>(101,067)</u>	<u>(88,441)</u>
	<u>36,287</u>	<u>36,094</u>
<i>Motor vehicles</i>		
At cost	26,178	26,178
Less accumulated depreciation	<u>(7,674)</u>	<u>(1,506)</u>
	<u>18,504</u>	<u>24,672</u>
Total written down amount	<u>328,058</u>	<u>340,747</u>

Based on valuation (excluding land) by Central Gippsland Valuations - refer note 1 for more details.

Movements in carrying amounts

<i>Buildings & improvements</i>		
Carrying amount at beginning of year	241,336	169,314
Revaluation	-	-
Additions	-	77,944
Depreciation expense	<u>(6,424)</u>	<u>(5,922)</u>
Carrying amount at end of year	<u>234,912</u>	<u>241,336</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	21,145	14,171
Additions	2,656	9,518
Depreciation expense	<u>(2,946)</u>	<u>(2,544)</u>
Carrying amount at end of year	<u>20,855</u>	<u>21,145</u>

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

**Notes to the Financial Statements
for the year ended 30 June 2010**

8. Property, Plant and Equipment (continued)	2010	2009
	\$	\$
Movements in carrying amounts (continued)		
<i>Furniture & Fittings</i>		
Carrying amount at beginning of year	36,094	43,249
Additions	12,819	5,100
Less depreciation expense	(12,626)	(12,255)
Carrying amount at end of year	<u>36,287</u>	<u>36,094</u>
<i>Motor vehicles</i>		
Carrying amount at beginning of year	24,672	-
Additions	-	26,178
Less depreciation expense	(6,168)	(1,506)
Carrying amount at end of year	<u>18,504</u>	<u>24,672</u>
9. Intangible Assets		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less accumulated amortisation	(58,219)	(56,219)
	<u>1,781</u>	<u>3,781</u>
10. Payables		
Trade creditors	27,901	24,288
Accrued audit fee	2,900	2,700
	<u>30,801</u>	<u>26,988</u>
11. Provisions		
Employee benefits	<u>22,428</u>	<u>22,812</u>
12. Loans and Borrowings		
<i>Current</i>		
Chattel mortgage	<u>7,031</u>	<u>6,583</u>
<i>Non-current</i>		
Bank loan	60,000	60,000
Chattel mortgage	13,478	20,507
	<u>73,478</u>	<u>80,507</u>
13. Share Capital		
Ordinary shares fully paid of \$1 each	<u>450,009</u>	<u>450,009</u>
14. Asset Revaluation Reserve		
Asset revaluation reserve #	<u>123,826</u>	<u>123,826</u>

Based on valuation (excluding land) by Central Gippsland Valuations - refer note 1 for more details.

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

**Notes to the Financial Statements
for the year ended 30 June 2010**

15. Retained Earnings/(Accumulated Losses)	2010	2009
	\$	\$
Balance at the beginning of the financial year	(59,189)	(75,046)
Dividends paid	(31,501)	(31,501)
Profit after income tax	79,040	47,358
Balance at the end of the financial year	<u>(11,650)</u>	<u>(59,189)</u>

16. Statement of Cash Flows

(a) Cash and cash equivalents

Cash assets	55,330	38,496
Deposit at call	269,502	224,132
	<u>324,832</u>	<u>262,628</u>

**(b) Reconciliation of profit after tax to
net cash from/(used in) operating activities**

Profit after income tax	79,040	47,358
Non cash items		
- depreciation	28,164	22,227
- amortisation	2,000	2,000
Changes in assets and liabilities		
- (increase) decrease in receivables / prepayments	(7,822)	(784)
- increase (decrease) in payables	3,813	(2,776)
- increase (decrease) in provisions	(384)	10,691
- increase (decrease) in income tax payable	10,950	(513)
Net cashflows from operating activities	<u>115,761</u>	<u>78,203</u>

17. Director and Related Party Disclosures

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

Mr Alan Broadbent (resigned 10 December 2009)
 Mr David Graham (resigned 29 July 2010)
 Mr Eric Underwood
 Mrs Michele Ripper
 Ms Anne Nichols
 Mr Keith Borthwick
 Mr Martin Swanson
 Mr David Wadey
 Ms Sarah Bardsley (resigned 24 June 2010)
 Mr Anthony Donahoe (resigned 8 February 2010)
 Mr Brendan Hunt (appointed 29 July 2010)

No related party transaction occurred during the year.

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

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
for the year ended 30 June 2010

17. Director and Related Party Disclosures (continued)

Directors shareholdings	2010	2009
Mr Alan Broadbent (resigned 10 December 2009)	10,001	10,001
Mr David Graham (resigned 29 July 2010)	5,001	5,001
Mr Eric Underwood	10,000	10,000
Mrs Michele Ripper	1,000	1,000
Ms Anne Nichols	-	-
Mr Keith Borthwick	1,001	1,001
Mr Martin Swanson	5,000	5,000
Mr David Wadey	-	-
Ms Sarah Bardsley (resigned 24 June 2010)	10,000	10,000
Mr Anthony Donahoe (resigned 8 February 2010)	500	500
Mr Brendan Hunt (appointed 29 July 2010)	-	-

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

18. Subsequent Events

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

19. Contingent Liabilities

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

20. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Heyfield and district, Victoria.

21. Corporate Information

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

The registered office of the Company is:

170 Johnson Street
Maffra Victoria 3860

The principal place of business is:

54-56 Temple Street
Heyfield Victoria 3858

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
for the year ended 30 June 2010

22. Dividends paid or provided for on ordinary shares	2010	2009
	\$	\$
(a) Dividends paid during the year		
Franked dividends - 7 cents per share (2009: 7 cents)	<u>31,501</u>	<u>31,501</u>
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 7 cents per share (2009: 7 cents)	<u>31,501</u>	<u>31,501</u>
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	40,390	28,409
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	<u>22,105</u>	<u>11,155</u>
	<u>62,495</u>	<u>39,564</u>

The tax rate at which dividends have been franked is 30% (2009: 30%).

23. Earnings per share

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

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

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

Profit after income tax expense	<u>79,040</u>	<u>47,358</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>450,009</u>	<u>450,009</u>

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
For the year ended 30 June 2010

24. 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 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.

(a) Credit Risk

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

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

	<u>Carrying Amount</u>	
	2010	2009
	\$	\$
Cash assets	324,832	262,628
Receivables	61,516	53,203
	<u>386,348</u>	<u>315,831</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: 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 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.

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
For the year ended 30 June 2010

24. 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 2010					
Payables	30,801	(30,801)	(30,801)	-	-
Loans and borrowings	80,509	(89,044)	(13,614)	(75,430)	-
	<u>111,310</u>	<u>(119,845)</u>	<u>(44,415)</u>	<u>(75,430)</u>	<u>-</u>
30 June 2009					
Payables	26,988	(26,988)	(26,988)	-	-
Loans and borrowings	87,090	(100,661)	(12,714)	(87,947)	-
	<u>114,078</u>	<u>(127,649)</u>	<u>(39,702)</u>	<u>(87,947)</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>	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	269,502	224,132
Financial liabilities	<u>(20,509)</u>	<u>(27,090)</u>
	<u>248,993</u>	<u>197,042</u>
Variable rate instruments		
Financial assets	55,330	38,496
Financial liabilities	<u>(60,000)</u>	<u>(60,000)</u>
	<u>(4,670)</u>	<u>(21,504)</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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Notes to the Financial Statements
For the year ended 30 June 2010

24. 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.

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 2010 can be seen in the Statement of Comprehensive Income.

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

Richmond Sinnott & Delahunty

Chartered Accountants



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

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

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 Heyfield & District Community Financial Services Limited, for the year ended 30 June 2010.

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.

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 Heyfield & District 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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunt

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

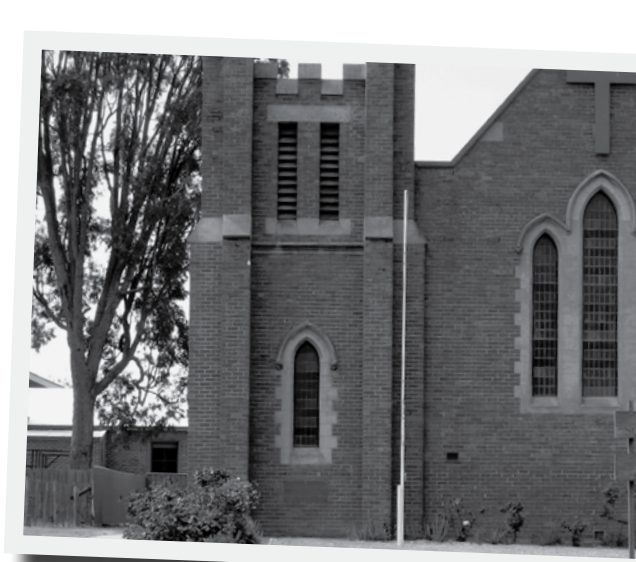
W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 16 September 2010

Notes

Area for handwritten notes.







Heyfield & District Community Bank® Branch

Heyfield & District Community Financial Services Limited

ABN 96 094 854 949

58-60 Temple Street, Heyfield 3858
Telephone 03 5148 2204