Heyfield & District
Community Financial Services Limited

Vision Statement

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

Mission Statement

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

Statement of Values

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

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

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

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

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

Chair's Report 2011

Dear shareholders,

This financial year was a very special year for your **Community Bank®** branch. 2011 marked the 10th birthday of the branch. We celebrated this achievement in true Heyfield style. The **Community Bank®** organised a wonderful weekend party, which included a fun fair, rock concert, skate jam and crackerjack bowls event. Everyone was invited and it seemed everyone turned out to rejoice with us. Heyfield was brimming with laughter, music and conversation.

What were we celebrating? We were celebrating the tenacity, ability and determination of our community to get what we want for our town and district.

We were celebrating a community business that had grown from nothing to a $73 million business.

We were celebrating that the **Community Bank®** model had met its obligations and had supported our schools, kinder, hospital, local sporting clubs and organisations to the tune of $530,000 as well as paying its shareholders a further $150,000.

Just as with the major banks, our loan business was slow. This did not however prevent us from growing our deposits and continuing to progress and stay in positive territory.

This year also marked the renewal of our franchise for a further five years. This required putting together a five-year business plan. The Board has identified five areas to focus on over the next five years and they are:

- Provide a modern banking experience.
- Have an informed, innovative and effective Board.
- Increase financial viability and growth.
- Effective and accountable distribution of funds.
- Leadership in community development.

Over the next five years, we shall be steadily working towards achieving these goals.

We are close to finalising plans for the branch. This will improve security in a non-intrusive way, create more space and areas where our management team, financial planner etc... can sit down with our customers and have the environment to make sure we are taking care of their financial needs.

I would like to thank the Board and our PA Chris Thomas for their hard work and commitment. We have had a great deal to plough through this year. We have managed to rise to the occasion despite the workload and meet all our deadlines.

Martin Swanson and Brendan Hunt resigned this year and the Board extends their gratitude to them both for their contribution towards the ongoing success of your **Community Bank®** branch.

Our Branch Manager, Scott McNicol has managed the staff and branch exceptionally well and in his first year has become well known within our community. Our thanks go to Scott, Tamarah, Kerry, Jacquie and Shannon for continuing to make our customers welcome and valued in our branch.

I would like to thank our partners, Bendigo and Adelaide Bank Ltd. They have given us support and great advice throughout the past 10 years and have helped us steer your **Community Bank®** branch to its present success.

Finally, we thank our shareholders and customers for supporting the bank. Without you, Heyfield & District would be a very different place. We urge you to continue to tell everyone you meet about this wonderful banking concept. The more customers we have, the more money we can return to our community. We all benefit in one way or another through the contributions your **Community Bank®** branch gives back to Heyfield.

Be proud and become an advocate for your **Community Bank®** branch and spread the word.

Michèle Ripper

Michèle Ripper

Chair – Heyfield & District

Community Bank® Branch

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

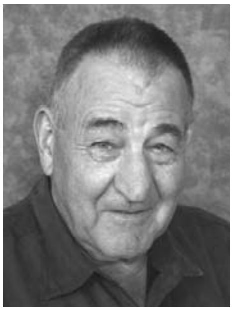
Board of Directors 2010 – 2011


Michèle Ripper
Chair


Keith Borthwick
Company Secretary


David Wadey
Director


Anne Nichols
Acting Treasurer


Eric Underwood
Director


Jennifer McMillan
Director


Christine Thomas
Company Personal
Assistant


Martin Swanson
Vice Chair


Brendan Hunt
Director

Manager's Report

It is with great pleasure that I submit my report to shareholders for the financial year ended 30 June 2011.

Our business has seen continued significant growth over the past 12 months with a further $6 million being added to our footings during this period. This represents a growth of nearly 9% on the previous year and brings our total footing as at the end of June 2011 to $75.6 million.

Branch deposits have continued to perform well, shouldering the bulk of our growth for the 2010/11 year. We now have $43.5 million dollars of deposit dollars under management.

Our lending enquiries have been a little quiet this year, and as was the case across many sites across Gippsland, were below expectations. The downturn in the housing market and overall volatility of the share markets has had an effect on everyone and we are certainly seeing it here. Many people are holding off on their borrowing needs and instead are focusing on putting extra cash savings aside until there is more certainty in the markets. We now hold $30.3 million in lending which is a decrease of approximately $1 million on the previous year. One of my main aims for the 2011/12 financial year is to work hard on achieving a positive movement in our home loan lending figures. Myself, branch staff and the Board are currently working on strategies to build our home loan business in the new financial year.

Our branch now holds a total of 3,552 accounts spread across 1,963 customers. Both these numbers are up from the previous year which continues to show the people of Heyfield and the greater district's support of the Community Bank® model.

It is due to our customer's support of our Community Bank® branch that this year we have been able to put back into the community by way of grants and sponsorships a further $150,000. This is a fantastic result and proof that with continued and new support together we can achieve great outcomes for our local community. This brings our total contributions back to the community to $550,000.

I would like to take this time to thank the team of people I have had to support me over the last 12 months being my first year in a new and challenging role. Our branch team continues to provide the very best in customer service which is something we strive for to be the point of difference over our competitors. Come in and try it for yourself! A special thank you to Tamarah, Kerry, Jacquie and Shannon for all your support this past 12 months.

This year we said goodbye to Jane McInnes who after eight and a half years decided it was time to take on other challenges in her life. I would like to thank Jane for her support over the six months that we worked together and her outstanding service to all our customers. Shannon Daley, who started with us in August 2010, is also taking some time off to welcome the birth of her first child. I would like to thank Shannon for her commitment to our team and wish her the very best of luck with her forthcoming baby.

I would also like to thank our committed Board staff who tirelessly donate their time to make our community a better place to live and work. Thank you also to Chris Thomas, the Board's P.A, for her assistance.

Most importantly I would like to thank all our customers and shareholders who have supported our growing branch for without you we would not be able to achieve any of our contributions back to the community. I seek your continued support and ask you to be an advocate for our branch by encouraging your network of friends and family to be a supporter of your Community Bank® branch.

I look forward to the year ahead and with your support look forward to what we can achieve together to make the community we live in a better place.

Scott McNicol
Branch Manager

Jane McInnes
Resigned

Our Branch Team

Scott McNicol
Branch Manager

Tamarah Smith
Customer Relationship Manager

Kerry Anderson
Customer Service Officer

Jacqui Wheeler
Customer Service Officer

Tasha Barbour
Customer Service Officer

Shannon Daley
Maternity Leave

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

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

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

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

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

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

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

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

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

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

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

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

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

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

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

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

Russell Jenkins

Executive Customer and Community

Some Donations over the years...

Some Donations over the years...

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 2011 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Michele Ripper, Chairman

Signed at Heyfield, Victoria on 22nd September 2011

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 2011.

Directors

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

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

Mr Eric Underwood
Director
Occupation: Manager

Mrs Michele Ripper
Chair
Occupation: Dance Instructor

Ms Anne Nichols
Director
Occupation: TAFE Outreach worker

Mrs Jennifer McMillan (Appointed 26 August 2010)
Director
Occupation: Business Proprietor

Mr Keith Borthwick
Secretary
Occupation: Solicitor

Mr Martin Swanson (resigned 4 April 2011)
Director
Occupation: Business Proprietor

Mr David Wadey
Director
Occupation: Real Estate Agent

Mr Brendan Hunt (appointed 29 July 2010) -
Director (resigned 26 May 2011)
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.

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.

Review of Operations

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was $51,605 (2010: $79,040).

	Year Ended 30 June 2011	
Dividends	**Cents Per Share**	**$**
Dividends paid in the year	8	36,001

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.

Remuneration Report

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

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

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Mr David Graham (resigned 29 July 2010)	1 (1)	N/A
Mr Eric Underwood	9 (10)	N/A
Mrs Michele Ripper	12 (12)	N/A
Ms Anne Nichols	11 (12)	1 (1)
Mr Keith Borthwick	12 (12)	2 (2)
Mr Martin Swanson (resigned 4 April 2011)	9 (9)	1 (1)
Mr David Wadey	11 (12)	N/A
Mr Brendan Hunt (appointed 29 July 2010) - (resigned 26 May 2011)	7 (10)	N/A
Mrs Jennifer McMillan (Appointed 26 August 2010)	9 (11)	1 (2)

 # 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 Keith Borthwick, Anne Nichols and Jennifer McMillan;
(b) Director approval of operating budgets and monitoring of progress against these budgets;
(c) Ongoing Director training; and
(d) Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

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

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 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
22nd September 2011

Signed in accordance with a resolution of the Board of Directors at Heyfield, Victoria on XX September 2011.

Michele Ripper

Michele Ripper, Chairman

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Comprehensive Income
For the year ended 30 June 2011

	Notes	2011 $	2010 $
Revenue from continuing operations	2	759,606	696,815
Employee benefits expense	3	(325,077)	(246,076)
Depreciation and amortisation expense	3	(30,388)	(30,164)
Charitable donations and sponsorship		(107,184)	(161,579)
Finance costs	3	(6,895)	(6,704)
Other expenses		(214,629)	(136,820)
Profit before income tax expense		75,433	115,472
Income tax expense	4	23,828	36,432
Profit after income tax expense		51,605	79,040
Other comprehensive income		-	-
Total comprehensive income		51,605	79,040
Earnings per share (cents per share)			
- basic for profit for the year	23	11.47	17.56
- diluted for profit for the year	23	11.47	17.56

The accompanying notes form part of these financial statements

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Financial Position
As at 30 June 2011

	Notes	2011 $	2010 $
Current Assets			
Cash and cash equivalents	6	295,384	324,832
Prepayments		180	1,841
Receivables	7	60,418	61,516
Total Current Assets		355,982	388,189
Non-Current Assets			
Property, plant and equipment	8	331,184	328,058
Intangible assets	9	9,726	1,781
Total Non-Current Assets		340,910	329,839
Total Assets		696,892	718,028
Current Liabilities			
Payables	10	41,106	30,801
Current tax liability	4	2,891	22,105
Loans and borrowings	12	-	7,031
Provisions	11	15,106	22,428
Total Current Liabilities		59,103	82,365
Non-Current Liabilities			
Loans and borrowings	12	60,000	73,478
Total Non-Current Liabilities		60,000	73,478
Total Liabilities		119,103	155,843
Net Assets		577,789	562,185
Equity			
Share capital	13	450,009	450,009
Asset revaluation reserve	14	123,826	123,826
Retained Earnings/(Accumulated losses)	15	3,954	(11,650)
Total Equity		577,789	562,185

The accompanying notes form part of these financial statements

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Cash Flows
For the year ended 30 June 2011

	Notes	2011 $	2010 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		792,752	732,663
Cash payments in the course of operations		(691,884)	(595,098)
Interest received		19,439	10,382
Income tax paid		(43,042)	(25,482)
Borrowing costs		(6,895)	(6,704)
Net cash flows from operating activities	16b	70,370	115,761
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(41,459)	(15,475)
Net cash flows used in investing activities		(41,459)	(15,475)
Cash Flows From Financing Activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(22,358)	(6,581)
Dividends paid		(36,001)	(31,501)
Net cash flows from / (used in) financing activities		(58,359)	(38,082)
Net increase / (decrease) in cash held		(29,448)	62,204
Cash and cash equivalents at start of year		324,832	262,628
Cash and cash equivalents at end of year	16a	295,384	324,832

The accompanying notes form part of these financial statements

Heyfield & District Community Financial Services Limited
ABN 96 094 854 949
Statement of Changes in Equity
As at 30 June 2011

	Notes	2011 $	2010 $
SHARE CAPITAL			
Balance at start of year		450,009	450,009
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		450,009	450,009
ASSET REVALUATION RESERVE			
Balance at start of year		123,826	123,826
Revaluation during the year		-	-
Balance at end of year		123,826	123,826
RETAINED EARNINGS / (ACCUMULATED LOSSES)			
Balance at start of year		(11,650)	(59,189)
Profit after income tax expense		51,605	79,040
Dividends paid	22	(36,001)	(31,501)
Balance at end of year		3,954	(11,650)

The accompanying notes form part of these financial statements

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 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

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

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

The financial statements were authorised for issue by the Directors on 22 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

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

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

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

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

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

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:

Class of fixed assets	*Depreciation rate (%)*
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:

Class of fixed assets	*Depreciation rate (%)*
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.

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.

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

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.

Comparative Figures

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

2. Revenue from continuing operations

	2011	2010
	$	$
Operating activities		
- services commissions	739,584	685,843
	739,584	685,843
Non-operating activities:		
- interest received	19,439	10,382
- other revenue	583	590
	20,022	10,972
	759,606	696,815

3. Expenses

	2011	2010
	$	$
Employee benefits expense		
- wages and salaries	281,065	195,914
- superannuation costs	23,528	16,965
- workers' compensation costs	516	752
- other costs	19,968	32,445
	325,077	246,076
Depreciation of non-current assets:		
- plant and equipment	21,909	21,740
- leasehold improvements	6,424	6,424
Amortisation of non-current assets:		
- intangibles	2,055	2,000
	30,388	30,164
Finance costs:		
- borrowing costs	6,895	6,704

4. Income Tax Expense

The prima facie tax on profit before income tax
is reconciled to the income tax expense as follows:

	2011	2010
Prima facie tax on profit before income tax at 30%	22,630	34,642
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	1,198	1,790
Current income tax expense	23,828	36,432
Income tax expense	23,828	36,432
Tax liabilities		
Current tax payable	2,891	22,105

5. Auditors' Remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

	2011	2010
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	3,916	814
	7,816	4,714

6. Cash and Cash Equivalents

	2011	2010
Cash at bank and on hand	9,300	55,330
Deposits at call	286,084	269,502
	295,384	324,832

7. Receivables

	2011	2010
Trade debtors	60,418	61,516

8. Property, Plant and Equipment

	2011 $	2010 $
Land		
Freehold land at cost	17,500	17,500
Buildings & improvements		
At cost	133,089	133,089
Revaluation #	123,826	123,826
Less accumulated depreciation	(28,427)	(22,003)
	228,488	234,912
Plant and equipment		
At cost	32,624	31,189
Less accumulated depreciation	(13,472)	(10,334)
	19,152	20,855
Furniture & Fittings		
At cost	146,448	137,354
Less accumulated depreciation	(115,188)	(101,067)
	31,260	36,287
Motor vehicles		
At cost	34,808	26,178
Less accumulated depreciation	(24)	(7,674)
	34,784	18,504
Total written down amount	331,184	328,058

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

Movements in carrying amounts

	2011 $	2010 $
Buildings & improvements		
Carrying amount at beginning of year	234,912	241,336
Revaluation	-	-
Additions	-	-
Depreciation expense	(6,424)	(6,424)
Carrying amount at end of year	228,488	234,912
Plant and equipment		
Carrying amount at beginning of year	20,855	21,145
Additions	1,435	2,656
Depreciation expense	(3,138)	(2,946)
Carrying amount at end of year	19,152	20,855
Furniture & Fittings		
Carrying amount at beginning of year	36,287	36,094
Additions	9,095	12,819
Less depreciation expense	(14,121)	(12,626)
Carrying amount at end of year	31,261	36,287
Motor vehicles		
Carrying amount at beginning of year	18,504	24,672
Additions	20,930	-
Less depreciation expense	(4,650)	(6,168)
Carrying amount at end of year	34,784	18,504

9. Intangible Assets

	2011	2010
	$	$
Franchise Fee		
At cost	70,000	60,000
Less accumulated amortisation	(60,274)	(58,219)
	9,726	1,781

10. Payables

Trade creditors	38,206	27,901
Accrued audit fee	2,900	2,900
	41,106	30,801

11. Provisions

Employee benefits	15,106	22,428
Movement in employee benefits		
Opening balance	22,428	22,812
Additional provisions recognised	-	1,376
Amounts utilised during the year	(7,322)	(1,760)
Closing balance	15,106	22,428

12. Loans and Borrowings

Current		
Chattel mortgage	-	7,031
Non-current		
Bank loan	60,000	60,000
Chattel mortgage	-	13,478
	60,000	73,478

13. Share Capital

Ordinary shares fully paid of $1 each	450,009	450,009

14. Asset Revaluation Reserve

Asset revaluation reserve #	123,826	123,826

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

15. Retained Earnings/(Accumulated Losses)

	2011 $	2010 $
Balance at the beginning of the financial year	(11,650)	(59,189)
Dividends paid	(36,001)	(31,501)
Profit after income tax	51,605	79,040
Balance at the end of the financial year	3,954	(11,650)

16. Statement of Cash Flows

(a) *Cash and cash equivalents*

	2011 $	2010 $
Cash assets	9,300	55,330
Deposit at call	286,084	269,502
	295,384	324,832

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

	2011 $	2010 $
Profit after income tax	51,605	79,040
Non cash items		
- depreciation	28,333	28,164
- amortisation	2,055	2,000
Changes in assets and liabilities		
- (increase) decrease in receivables / prepayments	4,608	(7,822)
- increase (decrease) in payables	10,305	3,813
- increase (decrease) in provisions	(7,322)	(384)
- increase (decrease) in income tax payable	(19,214)	10,950
Net cashflows from operating activities	70,370	115,761

17. Director and Related Party Disclosures

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

Mr David Graham (resigned 29 July 2010)
Mr Eric Underwood
Mrs Michele Ripper
Ms Anne Nichols
Mr Keith Borthwick
Mr Martin Swanson (resigned 4 April 2011)
Mr David Wadey
Mr Brendan Hunt (appointed 29 July 2010) - (resigned 26 May 2011)
Mrs Jennifer McMillan (Appointed 26 August 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.

17. Director and Related Party Disclosures (continued)

Directors shareholdings	2011	2010
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 (resigned 4 April 2011)	5,000	5,000
Mr David Wadey	-	-
Mr Brendan Hunt (appointed 29 July 2010) - (resigned 26 May 2011)	-	-
Mrs Jennifer McMillan (Appointed 26 August 2010)	2,833	2,833

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 and Assets

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

20. Segment Reporting

The economic entity operates in the financial services sector were 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

22. Dividends paid or provided for on ordinary shares	**2011** $	**2010** $
(a) Dividends paid during the year		
Franked dividends - 8 cents per share (2010: 7 cents)	36,001	31,501
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 8 cents per share (2010: 7 cents)	36,001	31,501
(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	68,003	40,390
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	2,891	22,105
	70,894	62,495

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

	2011	2010
Profit after income tax expense	51,605	79,040
Weighted average number of ordinary shares for basic and diluted earnings per share	450,009	450,009

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:

	Carrying Amount	
	2011	2010
	$	$
Cash assets	295,384	324,832
Receivables	60,418	61,516
	355,802	386,348

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 (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by 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.

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 2011	$	$	$	$	$
Payables	41,106	(41,106)	(41,106)	-	-
Loans and borrowings	60,000	(64,500)	-	(64,500)	-
	101,106	(105,606)	(41,106)	(64,500)	-
30 June 2010					
Payables	30,801	(30,801)	(30,801)	-	-
Loans and borrowings	80,509	(89,044)	(13,614)	(75,430)	-
	111,310	(119,845)	(44,415)	(75,430)	-

(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:

	Carrying Amount	
	2011	2010
Fixed rate instruments	$	$
Financial assets	286,084	269,502
Financial liabilities	-	(20,509)
	286,084	248,993
Variable rate instruments		
Financial assets	9,230	55,330
Financial liabilities	(60,000)	(60,000)
	(50,770)	(4,670)

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

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

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 2011 can be seen in the Statement of Comprehensive Income.

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


Bendigo Bank
Heyfield & District
Community Bank Branch
Bendigo Bank

Heyfield
& District
Community Bank™ Branch

Bendigo Bank