



# annual report 2013

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 2013



Dear Shareholders.

We belong to an organisation that delivers great customer service, great banking products and profits directly back to communities. What other bank does that? The **Community Bank®** model nationally, over the last fifteen years has given back \$100 million to strengthen and support communities like our own.

Our company has played a key role in these milestones, returning more than \$91,500 to our local community and a further \$36,000 will be distributed in dividends to local shareholders in this year alone.

These community grants and sponsorships have made a significant difference to a number of local organisations including Gippsland Plains Rail Trail, Heyfield Hospital-Garden Rejuvenation project, Gordon Street Reserve, Heyfield Memorial Hall and The Heyfield & District Bushfire Recovery Day to name but a few. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

We as shareholders must reflect on where our community would be without this incredible contribution from our **Community bank®** branch when discussing these achievements with people who do not bank with us. For it is through continuous growth and support from our community that we can keep on delivering financial support and investment back into to our community.

To encourage business growth, the Board resolved in 2012 to renovate the branch in to a 'Branch of the Future'. We achieved this with very little disruption to the branch and customers. We now have a very professional, modern and secure bank branch where customers can have privacy to discuss their banking needs. Our staff now has access to the latest technology and more convivial surroundings in which to work.

Funding for all banks is expensive and likely to remain so, there is strong competition for retail deposits, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and its **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent, Bendigo and Adelaide Bank much less.

Bendigo and Adelaide Bank has conducted a staged approach to restoring this balance, ensuring that the **Community Bank®** model produced reasonable shareholder returns, as any business must. Bendigo and Adelaide Bank will continue to review this remuneration model with its partners to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

The Board continuously aims to make the best decisions and work hard for the interests of the community, shareholders and partner Bendigo and Adelaide Bank. I would like to thank all Board members for their contribution this year. On behalf of the Board, I wish Carolyn Crossley and Anne Nichols all the very best for the future and thank them for their contribution. We welcome Ken and Shirley Noble as new Directors onto our Board.

Thanks go to our Branch Manager Scott McNicol and his staff as well as the Board's PA Chris Thomas. These frontline people talk to and deal with our customers, shareholders and community with the utmost commitment and pride in our **Community Bank®** branch.

Finally, thank you to our partner, Bendigo and Adelaide Bank for the ongoing support and guidance they bring to the Board.

Kind regards,

A handwritten signature in blue ink that reads "Michèle Ripper". The signature is fluid and cursive, with a large, stylized 'M' and 'R'.

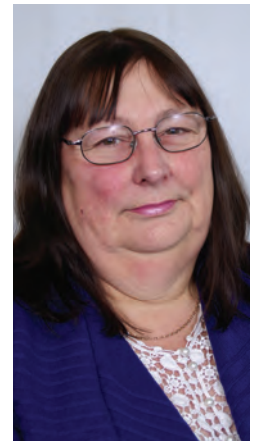
Michèle Ripper

Chair

Heyfield & District  
Community Financial Services Limited

Continuous and Never-ending Improvement

## 2012-2013 Board Members



**Standing:** William Lack, David Wadey, Ken Noble, Keith Borthwick - Company Secretary **Seated:** Shirley Noble and Michèle Ripper - Chair  
**Top Right:** Jennifer McMillan - Treasurer (Absent) **Bottom Right:** Christine Thomas - Company Personal Assistant

## 2012-2013 Staff Members



**Staff pictured left to right:**

Scott McNicol - Branch Manager, Tamarah Smith - Customer Relationship Manager, Tasha Barbour - Senior Customer Service Officer, Lesley McLean - Customer Service Officer and Emma Slattery - Customer Service Officer

## Manager's Report



It is with pleasure that I submit my report to shareholders for the financial year ended 30 June 2013.

Financially the 2012/13 was a much better year than the previous year, albeit still under some difficult economic conditions. Branch deposits (inclusive of our treasury funds) increased by \$7.5 million. As at 30

June 2013 we were holding \$48 million in total deposits.

Branch lending continued to be a major focus of the branch and we were able to add a further \$3.221 million in new lending. This was a fantastic result and just over \$2 million above our target figure. Branch lending now sits at \$33.9 million.

Overall growth for the financial year was \$10.727 million which represented a growth of 15% from previous year. With a budgeted expectation of 7% this was a great effort by all branch staff.

Customer numbers and accounts per customer remained steady over the course of the year.

As at 30 June 2013 our total footings was \$81.962 million.

We have had a number of staff changes this year which has put considerable strain on the whole team at different times. I would like to take this time to thank my team, Tamarah, Kerry, Tasha, Jacqui, Lesley, and Emma for all their hard work and support throughout the course of the year.

This year we said farewell to Kerry Anderson, who after 10 years of service to the Heyfield and District Community Bank® Branch decided it was time to retire to spend more

time with her family. Kerry joined the Heyfield team right back at inception and with her knowledge of both our customers and our products she will be sorely missed.

Jacqui Wheeler also resigned from her role this year. Jacqui had been with us for just over two years and decided it was time for her to pursue other avenues with a view of spending more time with her children.

Thank you to both Kerry and Jacqui for your contributions during your time with us.

With people leaving brings opportunity. Replacing Kerry and Jacqui saw Lesley Mclean (Denison) and Emma Slattery (Sale) come and join our team. A big welcome to our new girls and I look forward to working with you both over the coming year.

I would also like to thank my Board and Chris (PA to the Board) who continue to support my team throughout our journey. Without their time and support we would not be able to achieve the results we have been able to achieve this year.

Last but not least I would like to thank all our customers and shareholders who have supported our branch this year and previous years. Without your support we would not have been able to achieve the results we have to date. I continue to ask that you be advocates for our branch and encourage your family, friends and associates to also support our growing branch. It is with your support through banking products that we are able to continue putting profits back into our community.

I look forward to the year ahead and the many challenges that I am sure it will bring. Please feel free to drop in at any time and say hello to myself and the team here at Heyfield Community Bank® Branch.

A blue ink handwritten signature, appearing to read 'Scott McNicol', with a long horizontal stroke extending to the right.

Scott McNicol  
Branch Manager

# Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank®** network, celebrating its 15th anniversary of operation while also reaching \$100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank®** network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank®** model has become so much more. The **Community Bank®** network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank®** model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank®** sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank®** network had achieved the following:

- Returns to community – \$102 million
- **Community Bank®** branches – 298
- **Community Bank®** branch staff – more than 1,460
- **Community Bank®** company Directors – 1,925
- Banking business – \$24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – \$30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This \$100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco® (telecommunications solution), tertiary education scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has continued its solid performance.

## Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least “A-” by Standard & Poor’s, Moody’s and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank®** partners. As a result some **Community Bank®** companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank®** model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading customer - connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities.

We take a 100 - year view of our business; we listen and respect every customer’s choice, needs and objectives.

We partner for sustainable long - term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

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 banking and the role it plays in modern society.

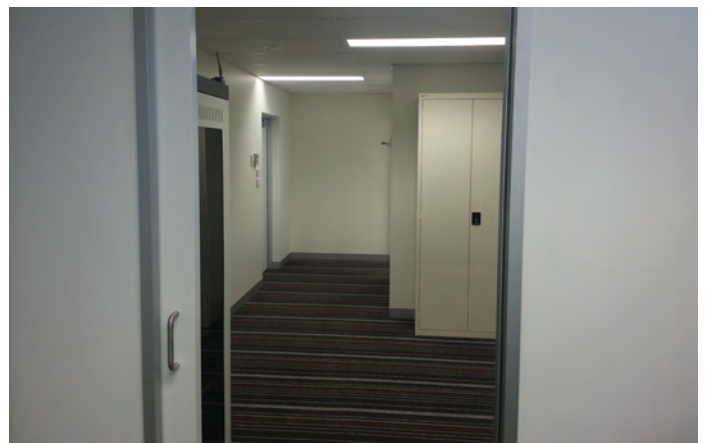
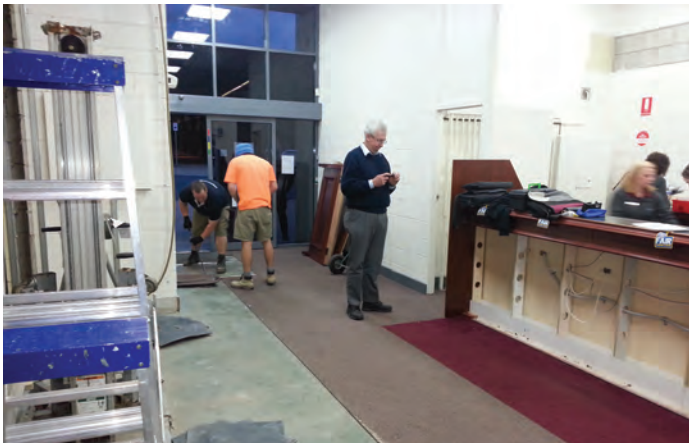
With the community’s support, there really is no limit to what can be achieved under the **Community Bank®** model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank®** branch.

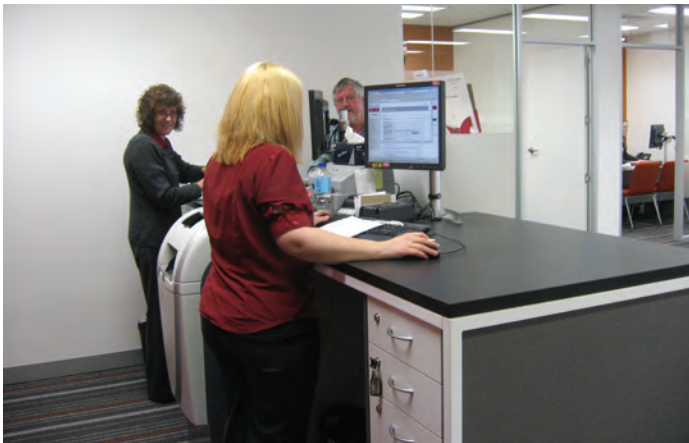
Robert Musgrove

Executive Community Engagement

# *Out with the Old*



## ***In with the New!***



***How our branch transformed into a new “Branch of the Future”***



## Groups sponsored this year were:

Maffra Golf Club  
 Cowwarr Primary School  
 Gippsland Plains Rail Trail  
 Gordon St Reserve  
 Heyfield Memorial Hall  
 Nambrok-Denison Cricket Club  
 Heyfield Primary School  
 Maffra Agricultural Society  
 CAN Inc  
 Conquer Cancer Bike Ride  
 Newry Christmas Pageant  
 Glenmaggie & District Boat Club  
 Alan Broadbent Scholarship  
 Heyfield Bushfire Recovery Day  
 Heyfield Junior Netball Club  
 Heyfield Football/Netball Club  
 Rosedale Football Club  
 Cowwarr Football Club  
 Heyfield Hospital- Garden Rejuvenation project  
 Heyfield Golf Club  
 Rosedale Primary School  
 Heyfield & District Vintage Machinery Group  
 Latrobe Wellington Lions Club- Gardner/Male Fundraiser  
 Variety Australia- The Children's Charity  
 Maffra Secondary College  
 Heyfield Trader's & Tourism Assoc  
 Heyfield Community Representative Group  
 Sale/Maffra District Kennel Club  
 The total amount of sponsorships, grants and donations this year was **\$91,500**



## Sponsorships

### The Bushfire story



Photo Courtesy of Graham Albrey

18th January 2013 was a day the district will not forget.

A fire at Aberfeldy raced down the hills towards Dawson, Seaton, Glenmaggie & Coongulla burning everything in its path. People lost homes along with shedding, fences, stock and pasture. One man lost his life and there were many lucky escapes. Some stayed to fight and others went to safer grounds. All in all many people's lives were affected.

The Heyfield & District **Community Bank** Branch quickly arranged for an appeal to be set up that would help the local affected families.

A group of community minded women then got together to see where they could help and so the Heyfield & District Bushfire Recovery Day was born. They approached the Bank for some help with seed funding which was given and so it began.

Sunday 10th March saw over 2,500 revellers of all ages

partying late into the night, at the Heyfield & District Bushfire Recovery Day.

The event was one part of a fundraising appeal, to assist those affected by the fires that swept through the Heyfield District on January 18th.

The appeal has demonstrated the resilience within the community and the external support for those still reeling from that day.

The appeal has generated \$110,000 from both donations into the Heyfield & District Community Bank, and the Bushfire Recovery event.

These monies were allocated to the Sale Baptist Church who are working with Kilmany UnitingCare to disperse these monies to affected families in our area.



Photo Courtesy of Graham Albrey



Photo Courtesy of Graham Albrey



Photo Courtesy of Graham Albrey



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF HEYFIELD & DISTRICT  
FINANCIAL SERVICES LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Heyfield & District Financial Services Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

*Auditor's Responsibility*

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

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

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Heyfield & District Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

### *Auditor's Opinion*

In our opinion:

- (a) the financial report of Heyfield & District Financial Services Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

*Richmond Sinnott & Delahunt*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner

Dated at Bendigo, 25 September 2013

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

Your directors submit their report of the company for the financial year ended 30 June 2013.

**Directors**

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

<b>Name and position held</b>	<b>Qualifications</b>	<b>Experience and Other Directorships</b>
Mrs Michele Ripper Chairman Appointed 30/3/2006	Cecchetti Certificate in Advanced Ballet Southern Federation of Dance - Teaching	Business owner 25 years in Marketing, Advert. 15 years running own Dance Studio School committees President Heyfield Kindergarten Winner Gippsland Business Awards
Mr Keith Borthwick Secretary Appointed 24/10/2000	RMIT Articled Clerks Course 1976	Solicitor 33 years Director- Torrens Limited – 8 years Heyfield Property Developments- 8 years Malbeq Proprietary Limited – 10 years
Ms Anne Nichols Director Resigned 4/2/2013	Advanced Diploma Community Sector Management Diploma of Management Certificate IV in Workplace Training & Assessment Certificate III in Business Management	Twenty years business, administration and management experience in Community Development & Welfare
Mr David Wadey Director Appointed 14/6/2006	Certificate IV in Property (Real Estate Practice) Vic	Director of Heyfield Real Estate Pty Ltd Past President (Twice) of Heyfield Lions Club Secretary of Heyfield CFA brigade Heyfield Australia Day Committee
Mr Eric Underwood Director Resigned 7/11/2012	Business Management Accredited Bus Operator Diesel & Motor Mechanic	Heyfield Golf Club Committee
Mrs Jennifer McMillan Director Appointed 26/8/2010	Director AICD Director Programs Winston Churchill fellow	Gippsland & Southern Rural Water 12 years Australian Dairy Farmers Limited Rural Training Council of Australia East Gipps. Rural Financial Counselling Serv. Gippsland Agribusiness Council Farmbis State Council Gippsland Development Inc. Gippsland Water for Growth Victorian Rural Women's Network Macalister Research Farm Audit committee
Mrs Carolyn Crossley Director Resigned 31/5/2013	State Registered Nurse Marketing & Management Open learning Certificate III	Local small business experience for 20 years Executive officer of Incorporated Arts org. Deputy Mayor in 1990's in the Sale Council Current Deputy Mayor Wellington Shire Council Arts Victoria advisory panels Director of a family trust
Mr William Lack Director Appointed 29/9/2011	Bachelor of Agricultural Science Diploma of Education Certificate IV in Training & Assessment	Co-ordinator of Agriculture at Advance TAFE Poll Hereford Farm operator Director Macalister Research Farm Co-operative Treasurer of Heyfield Lions Treasurer of Victorian Hereford Association
Mr Kenneth Noble Director Appointed 25/10/2012	Certificate IV Rural Management Services	20 years service in major positions in Heyfield Lions & Heyfield Apex Club's

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

**Directors (continued)**

Mrs Shirley Noble Director Appointed 25/10/2012	Diversional Therapist Certificates III & IV - Community Services-Disability Care & Allied Health	Heyfield Hospital - 10 years Volunteered within local community
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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**

The profit of the company for the financial year after providing for income tax was \$68,920 (2012 profit: \$119,355), which is a 42% decrease as compared with the previous year.

The net assets of the company have increased to \$694,062 (2012: \$661,143). The increase is largely due to the continued profitability of the company.

**Dividends**

**Year Ended 30 June 2013**  
**Cents Per Share                      \$**

Dividends paid in the year (final dividend):	8	36,001
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**Significant changes in the state of affairs**

No significant changes in the company's state of affairs occurred during the financial year.

**Events subsequent to reporting date**

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

**Remuneration report**

**Remuneration policy**

There has been no remuneration policy developed as director positions are held on a voluntary basis and directors are not remunerated for their services.

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

**Indemnifying officers or auditor**

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company.

**Directors meetings**

The number of directors meetings held during the year were 12. Attendances by each director during the year were as follows:

<b>Director</b>	<b>Board Meetings #</b>	<b>Audit Committee Meetings #</b>
Mrs Michele Ripper	11 (11)	N/A
Mr Keith Borthwick	10 (11)	2 (2)
Ms Anne Nichols	3 (7)	N/A
Mr David Wadey	9 (11)	N/A
Mr Eric Underwood	3 (4)	N/A
Mrs Jennifer McMillan	9 (11)	2 (2)
Mrs Carolyn Crossley	8 (10)	N/A
Mr William Lack	6 (11)	N/A
Mr Kenneth Noble	7 (7)	N/A
Mrs Shirley Noble	5 (7)	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.*

**Likely developments**

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

**Environmental regulations**

The company is not subject to any significant environmental regulation. However, the board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

**Proceedings on behalf of company**

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

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

**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.

**Non audit services**

The directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external au - all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor, and

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

**Auditor Independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 5 of this financial report. No officer of the company is or has been a partner of the auditor of the company.

Signed in accordance with a resolution of the Board of directors at Heyfield on  
25 September 2013.



Michelle Ripper  
Chairman



**Richmond  
Sinnott &  
Delahunty**  
Chartered Accountants

Level 2, 10-16 Forest Street  
Bendigo, Victoria  
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Email: [rsd@rsd advisors.com.au](mailto:rsd@rsd advisors.com.au)

[www.rsdadvisors.com.au](http://www.rsdadvisors.com.au)

**Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Heyfield & District Community Financial Services Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there has been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

**Warren Sinnott**  
Partner  
Bendigo  
Dated at Bendigo, 25 September 2013

Richmond Sinnott & Delahunty  
ABN 60 616 244 309  
Liability limited by a scheme  
approved under Professional  
Standards Legislation

<b>Partners:</b>	
Warren Sinnott	Philip Delahunty
Cara Hall	Kathie Teasdale
Brett Andrews	David Richmond

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**for the year ended 30 June 2013**

	<u>Notes</u>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
Revenue	2	722,014	727,258
Employee benefits expense	3	(354,533)	(342,662)
Depreciation and amortisation expense	3	(25,518)	(24,450)
Finance costs	3	(2,140)	(3,567)
Other expenses		<u>(171,655)</u>	<u>(139,970)</u>
<b>Operating profit before charitable donations &amp; sponsorships</b>		168,168	216,609
Charitable donations and sponsorships		<u>(71,497)</u>	<u>(40,745)</u>
<b>Profit before income tax expense</b>		96,671	175,864
Tax expense	4	<u>27,751</u>	<u>56,509</u>
<b>Profit for the year</b>		68,920	119,355
<b>Total comprehensive income</b>		<u><u>68,920</u></u>	<u><u>119,355</u></u>
Profit attributable to:			
Members of the company		<u>68,920</u>	<u>119,355</u>
Total		<u><u>68,920</u></u>	<u><u>119,355</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit / (loss) for the year	22	15.32	26.52
- diluted for profit / (loss) for the year	22	15.32	26.52

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 2013**

	<u>Notes</u>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	154,574	421,705
Prepayments		304	511
Current tax receivable	4	3,260	-
Trade and other receivables	7	53,801	55,687
<b>Total Current Assets</b>		<u>211,939</u>	<u>477,903</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	573,061	314,634
Intangible assets	9	5,726	7,726
<b>Total Non-Current Assets</b>		<u>578,787</u>	<u>322,360</u>
<b>Total Assets</b>		<u>790,726</u>	<u>800,263</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	40,476	43,524
Current tax liability	4	-	40,240
Borrowings	11	12,642	6,712
Provisions	12	10,347	24,575
<b>Total Current Liabilities</b>		<u>63,465</u>	<u>115,051</u>
<b>Non Current Liabilities</b>			
Borrowings	11	26,294	24,069
Provisions	12	6,905	-
<b>Total Non Current Liabilities</b>		<u>33,199</u>	<u>24,069</u>
<b>Total Liabilities</b>		<u>96,664</u>	<u>139,120</u>
<b>Net Assets</b>		<u>694,062</u>	<u>661,143</u>
<b>Equity</b>			
Issued capital	13	450,009	450,009
Asset revaluation reserve	14	123,826	123,826
Retained earnings	15	120,227	87,308
<b>Total Equity</b>		<u>694,062</u>	<u>661,143</u>

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**  
**for the year ended 30 June 2013**

		<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Asset Revaluation Reserve \$</b>	<b>Total Equity \$</b>
Balance at 1 July 2011		450,009	3,954	123,826	577,789
Total comprehensive income for the year		-	119,355	-	119,355
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	(36,001)	-	(36,001)
<b>Balance at 30 June 2012</b>		<b>450,009</b>	<b>87,308</b>	<b>123,826</b>	<b>661,143</b>
Balance at 1 July 2012		450,009	87,308	123,826	661,143
Total comprehensive income for the year		-	68,920	-	68,920
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	(36,001)	-	(36,001)
<b>Balance at 30 June 2013</b>		<b>450,009</b>	<b>120,227</b>	<b>123,826</b>	<b>694,062</b>

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 2013**

	<u>Notes</u>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from clients		763,812	772,155
Payments to suppliers and employees		(660,547)	(567,251)
Income tax paid		(71,252)	(19,160)
Borrowing costs		(2,140)	(3,567)
Interest received		11,260	15,264
<b>Net cash flows from operating activities</b>	<b>16b</b>	<u><b>41,133</b></u>	<u><b>197,441</b></u>
<b>Cash Flows From Investing Activities</b>			
Purchase of property, plant & equipment		(281,945)	(5,900)
Sale of property, plant & equipment		1,527	-
<b>Net cash flows used in investing activities</b>		<u><b>(280,418)</b></u>	<u><b>(5,900)</b></u>
<b>Cash Flows From Financing Activities</b>			
Proceeds from borrowing		38,936	34,504
Repayment of borrowings		(30,781)	(63,723)
Dividends paid		(36,001)	(36,001)
<b>Net cash flows used in financing activities</b>		<u><b>(27,846)</b></u>	<u><b>(65,220)</b></u>
<b>Net increase/(decrease) in cash held</b>		(267,131)	126,321
Cash and cash equivalents at start of year		421,705	295,384
<b>Cash and cash equivalents at end of year</b>	<b>16a</b>	<u><u><b>154,574</b></u></u>	<u><u><b>421,705</b></u></u>

The accompanying notes form part of these financial statements

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2013**

The financial statements and notes represent those of Heyfield & District Community Financial Services Limited.

Heyfield & District Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 25 September 2013.

## **1. Summary of significant accounting policies**

### **(a) Basis of preparation**

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

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

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

### **(b) Income tax**

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

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

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

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

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

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2013**

**1. Summary of significant accounting policies (continued)**

**(c) Property, plant and equipment**

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

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

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

<u>Class of 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 statement of financial position.

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2013**

**1. Summary of significant accounting policies (continued)**

**(d) Impairment of assets**

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

**(e) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

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

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**(f) Employee benefits**

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

**(g) Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and other Comprehensive Income.

**(h) Cash**

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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 2013**

**1. Summary of significant accounting policies (continued)**

**(i) Revenue**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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

**(j) Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

**(k) New accounting standards and interpretations not yet adopted**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

**(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)**

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

**(ii) AASB 13 Fair Value Measurement (2011)**

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2013**

**1. Summary of significant accounting policies (continued)**

**(k) New accounting standards and interpretations not yet adopted (continued)**

**(iii) AASB 119 Employee Benefits (2011)**

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

**(l) Loans and borrowings**

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

**(m) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

**(n) Share capital**

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

**(o) Comparative figures**

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

**(p) Critical accounting estimates and judgements**

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

*Estimation of useful lives of assets*

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

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2013**

**1. Summary of significant accounting policies (continued)**

**(p) Critical accounting estimates and judgements (continued)**

*Income tax*

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

*Impairment*

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

**(q) Financial Instruments**

*Initial recognition and measurement*

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

*Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

**(i) Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**(ii) Financial liabilities**

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Heyfield & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements**

**For the year ended 30 June 2013**

**1. Summary of significant accounting policies (continued)**

**(q) Financial instruments (continued)**

**Impairment**

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

**Derecognition of financial instruments**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the

asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>2. Revenue and other income</b>		
Revenue		
- services commissions	<u>710,754</u>	<u>700,385</u>
Other revenue		
- interest received	11,260	15,264
- other revenue	<u>-</u>	<u>11,609</u>
	<u>11,260</u>	<u>26,873</u>
<b>Total Revenue</b>	<u><u>722,014</u></u>	<u><u>727,258</u></u>
<b>3. Expenses</b>		
Employee benefits expense		
- wages and salaries	303,688	300,169
- superannuation costs	26,489	25,332
- workers' compensation costs	1,056	1,036
- other costs	<u>23,300</u>	<u>16,125</u>
	<u><u>354,533</u></u>	<u><u>342,662</u></u>
Depreciation of non-current assets:		
- plant and equipment	15,635	16,016
- leasehold improvements	7,883	6,434
Amortisation of non-current assets:		
- intangible assets	<u>2,000</u>	<u>2,000</u>
	<u><u>25,518</u></u>	<u><u>24,450</u></u>
Finance Costs:		
- Interest paid	2,140	3,567

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2013**

	2013 \$	2012 \$
<b>4. Tax Expense</b>		
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	29,001	52,759
Add tax effect of:		
- Non-deductible expenses	(1,250)	3,750
<i>Current income tax expense</i>	<u>27,751</u>	<u>56,509</u>
Income tax attributable to the entity	<u>27,751</u>	<u>56,509</u>
The applicable weighted average effective tax rate is	28.71%	32.13%
<i>Tax liabilities/(benefit)</i>		
Current tax payable/benefit	<u>(3,260)</u>	<u>40,240</u>
The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.		
<b>5. Auditors' remuneration</b>		
Remuneration of the auditor for:		
- Audit or review of the financial report	4,150	3,900
- Share registry services	1,720	108
	<u>5,870</u>	<u>4,008</u>
<b>6. Cash and cash equivalents</b>		
Cash at bank and on hand	84,715	155,917
Deposits at call	69,859	265,788
	<u>154,574</u>	<u>421,705</u>
<b>7. Trade and other receivables</b>		
<b>Current</b>		
Trade debtors	53,801	55,687
	<u>53,801</u>	<u>55,687</u>

**Credit risk**

The company has no significant concentration of credit risk with respect to any single counterparty or groups of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

**Heyfield & District Community Financial Services Limited**  
**ABN 96 094 854 949**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2013**

**7. Trade and other receivables (continued)**

**Credit risk (continued)**

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross Amount	Past Due and impaired	Past Due but Not Impaired			Not Past Due
			< 30 days	31-60 days	> 60 days	
<b>2013</b>						
Trade receivables	53,801	-	-	-	-	53,801
<b>Total</b>	<b>53,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,801</b>
<b>2012</b>						
Trade receivables	55,687	-	-	-	-	55,687
<b>Total</b>	<b>55,687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,687</b>

**8. Property, plant and equipment**

	2013 \$	2012 \$
<i>Land</i>		
Freehold land at cost	17,500	17,500
<i>Buildings &amp; improvements</i>		
At cost	325,760	138,988
Revaluation #	123,826	123,826
Less accumulated depreciation	(42,743)	(34,860)
	406,843	227,954
<i>Plant and equipment</i>		
At cost	82,809	32,624
Less accumulated depreciation	(21,102)	(16,670)
	61,707	15,954
<i>Furniture &amp; Fittings</i>		
At cost	174,624	146,448
Less accumulated depreciation	(123,908)	(119,310)
	50,716	27,138
<i>Motor vehicles</i>		
At cost	36,521	34,808
Less accumulated depreciation	(226)	(8,720)
	36,295	26,088
<b>Total written down amount</b>	<b>573,061</b>	<b>314,634</b>

# Based on valuation (excluding land) by Central Gippsland Valuations - refer note 1c 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 2013**

<b>8. Property, plant and equipment (continued)</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in carrying amounts</b>		
<i>Buildings &amp; improvements</i>		
Carrying amount at beginning of year	227,954	228,488
Additions	186,772	5,900
Depreciation expense	(7,883)	(6,434)
Carrying amount at end of year	<u>406,843</u>	<u>227,954</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	15,954	19,152
Additions	50,185	-
Depreciation expense	(4,432)	(3,198)
Carrying amount at end of year	<u>61,707</u>	<u>15,954</u>
<i>Furniture &amp; Fittings</i>		
Carrying amount at beginning of year	27,138	31,260
Additions	28,176	-
Less depreciation expense	(4,598)	(4,122)
Carrying amount at end of year	<u>50,716</u>	<u>27,138</u>
<i>Motor vehicles</i>		
Carrying amount at beginning of year	26,088	34,784
Additions	36,521	-
Disposals	(18,182)	-
Profit/(loss) on sale	(1,527)	-
Less depreciation expense	(6,605)	(8,696)
Carrying amount at end of year	<u>36,295</u>	<u>26,088</u>
<b>9. Intangible assets</b>		
<i>Franchise Fee</i>		
At cost	70,000	70,000
Less accumulated amortisation	(64,274)	(62,274)
	<u>5,726</u>	<u>7,726</u>
<b>Movements in carrying amounts</b>		
<i>Franchise Fee</i>		
Balance at the beginning of the reporting period	7,726	9,726
Additions	-	-
Disposals	-	-
Amortisation expense	(2,000)	(2,000)
Balance at the end of the reporting period	<u>5,726</u>	<u>7,726</u>
<b>10. Trade and other payables</b>		
<b>Current</b>		
Unsecured liabilities:		
Trade creditors	37,376	40,624
Accrued audit fee	3,100	2,900
	<u>40,476</u>	<u>43,524</u>

**Heyfield & District Community Financial Services Limited**

**ABN 96 094 854 949**

**Notes to the Financial Statements**

**For the year ended 30 June 2013**

<b>11. Borrowings</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<i>Current</i>		
Chattel mortgage	12,642	6,712
	<u>12,642</u>	<u>6,712</u>
<i>Non-current</i>		
Chattel mortgage	26,294	24,069
	<u>26,294</u>	<u>24,069</u>
<b>12. Provisions</b>		
Employee benefits	17,252	24,575
	<u>17,252</u>	<u>24,575</u>
<b>Movement in employee benefits</b>		
Opening balance	24,575	15,106
Additional provisions recognised	25,921	27,769
Amounts utilised during the year	(33,244)	(18,300)
Closing balance	<u>17,252</u>	<u>24,575</u>
<b>Current</b>		
Annual Leave	10,347	19,012
	<u>10,347</u>	<u>19,012</u>
<b>Non-current</b>		
Long-service leave	6,905	5,563
	<u>6,905</u>	<u>5,563</u>
<b>Total provisions</b>	<u>17,252</u>	<u>24,575</u>

**Provision for employee benefits**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

**13. Share capital**

450,009 Ordinary Shares fully paid of \$1 each	450,009	450,009
	<u>450,009</u>	<u>450,009</u>

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**Notes to the Financial Statements**

**For the year ended 30 June 2013**

<b>13. Share capital (continued)</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in share capital</b>		
Fully paid ordinary shares:		
At the beginning of the reporting period	450,009	450,009
At the end of the reporting period	<u>450,009</u>	<u>450,009</u>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

**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 2013 can be seen in the Statement of Profit or Loss and other Comprehensive Income.

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

**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 1c for more details.

**15. Retained earnings**

Balance at the beginning of the reporting period	87,308	3,954
Dividends paid	(36,001)	(36,001)
Profit after income tax	68,920	119,355
Balance at the end of the reporting period	<u>120,227</u>	<u>87,308</u>

**Heyfield & District Community Financial Services Limited**

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**Notes to the Financial Statements**

**For the year ended 30 June 2013**

**16. Statement of cash flows**

**2013**

**2012**

**\$**

**\$**

*(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows*

As per the statement of financial position	84,715	155,917
Deposits at call	69,859	265,788
As per the statement of cash flow	<u>154,574</u>	<u>421,705</u>

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

Profit after income tax	68,920	119,355
Non cash items		
- Depreciation	23,518	22,450
- Amortisation	2,000	2,000
- Loss on sale of asset	(1,527)	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	2,093	4,400
- increase (decrease) in income tax payable	(43,500)	37,349
- Increase (decrease) in payables	(3,048)	2,418
- Increase (decrease) in provisions	(7,323)	9,469
Net cash flows from/(used in) operating activities	<u>41,133</u>	<u>197,441</u>

**17. Related party transactions**

The company's main related parties are as follows:

**(a) Key management personnel**

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of that company is considered key management personnel.

**(b) Other related parties**

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

**(c) Transactions with key management personnel and related parties**

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No director fees have been paid as the positions are held on a voluntary basis.

**(d) Key management personnel shareholdings**

The number of ordinary shares in Heyfield & District Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	<b>2013</b>	<b>2012</b>
Mrs Michele Ripper	2,000	1,000
Mr Keith Borthwick	1,001	1,001
Ms Anne Nichols	250	-
Mr David Wadey	500	500
Mr Eric Underwood	5,000	10,000
Mrs Jennifer McMillan	2,833	2,833

**Heyfield & District Community Financial Services Limited**  
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**Notes to the Financial Statements**  
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**17. Related party transactions (continued)**

Mrs Carolyn Crossley	250	-
Mr William Lack	-	-
Mr Kenneth Noble	500	-
Mrs Shirley Noble	500	-

Each share held has a paid up value of \$1 and is fully paid.

**(e) Other key management transactions**

There has been no other transactions involving equity instruments other than those described above.

**18. Events after the reporting period**

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. Operating segments**

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Heyfield, Victoria. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

**21. Company details**

The registered office of the Company is: 3 Pearson Street  
Maffra Victoria 3860

The principal place of business is: 54-56 Temple Street  
Heyfield Victoria 3858

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>

**22. Earnings per share**

Basic earnings per share amounts are calculated by dividing profit / (loss) 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 / (loss) 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>68,920</u>	<u>119,355</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**  
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**23. Dividends paid or provided for on ordinary shares**

**(a) Dividends paid during the year**

Franked dividends - 8 cents per share (2012: 8 cents)	<u>36,001</u>	<u>36,001</u>
-------------------------------------------------------	---------------	---------------

**(b) Dividends proposed and not recognised as a liability**

Franked dividends - 8 cents per share (2012: 8 cents)	<u>36,001</u>	<u>36,001</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	104,665	48,843
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	<u>-</u>	<u>40,240</u>
	<u>104,665</u>	<u>89,083</u>

The tax rate at which dividends have been franked is 30% (2012: 30%).

**Heyfield & District Community Financial Services Limited**

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**Notes to the Financial Statements**

**For the year ended 30 June 2013**

**24. Financial risk management**

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	<b>Note</b>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
<b>Financial Assets</b>			
Cash & cash equivalents	6	154,574	421,705
Trade and other receivables	7	53,801	55,687
<b>Total Financial Assets</b>		<u>208,375</u>	<u>477,392</u>
<b>Financial Liabilities</b>			
Trade and other payables	10	40,476	43,524
Borrowings	11	38,936	30,781
<b>Total Financial Liabilities</b>		<u>79,412</u>	<u>74,305</u>

**Financial Risk Management Policies**

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

**Specific Financial Risk Exposure and Management**

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

**(a) Credit Risk**

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

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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

None of the assets of the company are past due (2012: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

**Heyfield & District Community Financial Services Limited**

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**Notes to the Financial Statements**

**For the year ended 30 June 2013**

**(a) Credit Risk (continued)**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents:</b>		
A rated	<u>154,574</u>	<u>421,705</u>

**(b) Liquidity risk**

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

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

Financial liability and financial asset maturity analysis:

<b>30 June 2013</b>		<b>Total</b>	<b>Within</b>	<b>1 to</b>	<b>Over</b>
	<b>Note</b>	<b>\$</b>	<b>1 year</b>	<b>5 years</b>	<b>5 years</b>
			<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Liabilities due</b>					
Trade and other payables	10	40,476	40,476	-	-
Loans and borrowings	11	38,936	12,642	26,294	-
<b>Total expected outflows</b>		<u>79,412</u>	<u>53,118</u>	<u>26,294</u>	<u>-</u>
<b>Financial Assets - realisable</b>					
Cash & cash equivalents	6	154,574	154,574	-	-
Trade and other receivables	7	53,801	53,801	-	-
<b>Total anticipated inflows</b>		<u>208,375</u>	<u>208,375</u>	<u>-</u>	<u>-</u>
<b>Net (Outflow)/Inflow on financial instruments</b>		<u>128,963</u>	<u>155,257</u>	<u>26,294</u>	<u>-</u>
<b>30 June 2012</b>		<b>Total</b>	<b>Within</b>	<b>1 to</b>	<b>Over</b>
		<b>\$</b>	<b>1 year</b>	<b>5 years</b>	<b>5 years</b>
			<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Liabilities due</b>					
Trade and other payables	10	43,524	43,524	-	-
Loans and borrowings	11	30,781	6,712	24,069	-
<b>Total expected outflows</b>		<u>74,305</u>	<u>50,236</u>	<u>24,069</u>	<u>-</u>
<b>Financial Assets - realisable</b>					
Cash & cash equivalents	6	421,705	421,705	-	-
Trade and other receivables	7	55,687	55,687	-	-
<b>Total anticipated inflows</b>		<u>477,392</u>	<u>477,392</u>	<u>-</u>	<u>-</u>
<b>Net (Outflow)/Inflow on financial instruments</b>		<u>403,087</u>	<u>427,156</u>	<u>24,069</u>	<u>-</u>

**Heyfield & District Community Financial Services Limited**  
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**(c) Market risk**

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

Interest rate risk is the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

<b>Financial assets</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents (net of bank overdrafts)	3.90%	4.83%

**Sensitivity analysis**

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	<b>Profit</b>	<b>Equity</b>
<b>Year ended 30 June 2013</b>	<b>\$</b>	<b>\$</b>
+/- 1% in interest rates (interest income)	1,156	1,156
	<u>1,156</u>	<u>1,156</u>
<b>Year ended 30 June 2012</b>		
+/- 1% in interest rates (interest income)	3,909	3,909
	<u>3,909</u>	<u>3,909</u>

The company has no exposure to fluctuations in foreign currency.

**(d) Price risk**

The company is not exposed to any material price risk.

**Fair values**

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

**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, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 6 to 28 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) give a true and fair view of the company's financial position as at 30 June 2013 and of the performance for the year ended on that date;
- 2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.



Michelle Ripper  
Chairman

Signed at Heyfield on 25 September 2013.



25 September 2013

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The Directors

Heyfield & District Community Financial Services Limited

54-56 Temple Street

HEYFIELD VIC 3858

Dear Directors

We have now completed our audit of the financial report of Heyfield & District Community Financial Services Limited for the year ended 30 June 2013. Subject to the Board of Directors adopting the financial report, we are in a position to issue an unqualified audit opinion on the company's financial report.

## 1. Overview of Audit Approach

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

## 2. Operations

### 2.1 Financial Performance

	30 June 2013 \$	30 June 2012 \$
Revenue from ordinary activities	722,014	727,258
Salaries & employee benefits expense	(354,533)	(342,662)
Depreciation and amortisation expenses	(25,518)	(24,450)
Administration and other expenses	(173,795)	(143,537)
<b>Profit / (loss) before income tax</b>	<b>168,168</b>	<b>216,609</b>
Charitable donations and sponsorship	(71,497)	(40,745)
Income tax (expense) / benefit	(27,751)	(56,509)
<b>Profit / (loss) after income tax</b>	<b>68,920</b>	<b>119,355</b>

### 2.2 Financial Position

	30 June 2013 \$	30 June 2012 \$
Current assets	211,939	477,903
Non-current assets	578,787	322,360
<b>Total assets</b>	<b>790,726</b>	<b>800,263</b>
<b>Total liabilities</b>	<b>(96,664)</b>	<b>(139,120)</b>
<b>Shareholders' equity</b>	<b>694,062</b>	<b>661,143</b>

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

#### **3.1 Property Valuations**

Whilst conducting the audit on land and buildings, we noted that the last valuation was conducted on 21 December 2007. AASB 116 requires revaluation of assets on a 3 yearly cycle. We recommend a valuation in undertaken on the property prior to completion of the 30<sup>th</sup> June, 2014 accounts.

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

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

### **5. Other Matters**

Our work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities, other than those that would influence us in forming our audit opinion.

Should you have any queries in relation to any other matter please do not hesitate to contact us.

Yours sincerely



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



Vicki Pearce State Manager - Bendigo & Adelaide Bank and Chair Michèle Ripper cutting the ribbon opening the newly renovated Branch.



Heyfield & District Community Financial Services Limited  
PO Box 263 - Shop 3, 58 Temple Street, Heyfield VIC 3858  
**Telephone** 5148 2204 **Facsimile** 5148 2015 **Email** hdfs@own.net.au

**Share Registry**

Richard Sinnott & Delahunty  
PO Box 30 Bendigo VIC 3552