

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 4th ANNUAL GENERAL MEETING of HILLSTON & DISTRICT FINANCIAL SERVICES LIMITED will be held at the Hillston Ex-servicemen's & Citizens Club on Wednesday the 12th November 2008 commencing at 7:30 p.m.

AGENDA

Present/Apologies

Minutes of Previous AGM
21st November 2007

Chairman's Report

The Chairman, Mr K. Harvey, will present his report on the operations of the Company for the year ended 30 June 2008.

Adoption of Accounts

To receive and consider the financial statements and reports to the contributors comprising: -

1. The profit and loss accounts for the year ended 30 June 2008 and Balance Sheet of the Company as at 30 June 2008.
2. The directors' declaration and report by auditors for the financial year ended 30 June 2008.
3. The directors' report for the financial year ended 30 June 2008.

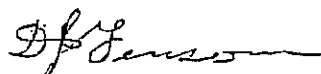
Election of Directors

- a) Mr Keith Harvey, Mr David (John) Fensom, Mr Steve Tuckett and Mr Peter Storrier will retire in accordance with the provisions of the constitution and being eligible, may offer themselves for re-election.
- b) Election of Directors (if required)

General Business

To transact any business that may be lawfully brought forward.

By Order of the Board


D J Fensom
Secretary

Notes:

1. Mr Keith Harvey, Mr David (John) Fensom and Mr Steve Tuckett will retire under section 62 of the constitution of Hillston & District Financial Services Limited and have indicated they all will seek re-election.

Mr Peter Storrier will retire under section 52(2) of the constitution of Hillston & District Financial Services Limited and will be seeking re-election.

2. As per the company constitution any two members of the company shall be at liberty to nominate any other member to serve as an office-bearer or other director.
3. Nomination and Consent to Act forms may be collected from the Hillston & District Community Bank Branch, 174 High Street, Hillston or the Secretary.
4. Nomination and Consent to Act forms must be lodged with the Secretary at least 14 days preceding the Annual General Meeting.
5. A list of candidates' names in alphabetical order with the nominators' and seconders' names shall be posted in the registered office for at least seven days immediately preceding the Annual General Meeting.
6. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. That person need not be a member of the company, but should be a natural person over the age of 18 years. Proxy forms will be available once nominations close from the Hillston & District Community Bank Branch, 174 High Street Hillston or the Secretary and must be lodged at the registered office of the company not less than 48 hours before the timing of the meeting.

Hillston & District Financial Services Limited
ABN 95 767 392 259
PO Box 272 Hillston NSW 2675

Minutes of AGM
Wednesday 21st November 2007

- MEETING OPENED:** There being a quorum, Mr K Harvey, opened the meeting at 7.48 pm
- PRESENT:** As per attendance book
- APOLOGIES:** W Younger, J Lansdown, T Mitchell, T Butt, P Vagg, K Irvine, D Shears.
- NOTICE & MINUTES:** Minutes from meeting dated 15th November 2006 were mailed out with AGM Notices.
RESOLVED that minutes as tabled be accepted.
- BUSINESS ARISING FROM LAST AGM:** Nil
- CHAIRMANS REPORT:** Chairman's report was forwarded with AGM Notice.
RESOLVED that chairman's report be accepted as tabled
- MANAGERS REPORT:** Managers report was forwarded with AGM notice.
RESOLVED that report as tabled be accepted.
- ADOPTION OF ACCOUNTS:** Profit & Loss and Balance sheet for the year ended 30th June 2007, the directors declaration and report by auditors for the financial year ended 30th June 2007 and the directors report for the financial year ended 30th June 2007 were forwarded with AGM notice.
RESOLVED that these reports be accepted as tabled.

ELECTION OF DIRECTORS: Mr Keith Horneman, Mr Ken McMaster and Mrs Stacey Storrier retired under section 62 of the constitution. Mr William Younger retired under section 52(2) of the constitution.

Mr Ken McMaster will not stand for re election.
Mr Keith Horneman, Mrs Stacey Storrier and Mr William Younger will stand for re election to the board.
Mr Peter Storrier has nominated for a position as director on the board.

Mr Keith Horneman, Mrs Stacey Storrier, Mr William Younger and Mr Peter Storrier were duly elected as directors of Hillston & District Financial Services Limited.

BBL REPRESENTATIVE: Mr Craig Tilston, Business Bank Manager Griffith, addressed the meeting and key points raised included: 2008 is the Tenth anniversary of Community Bank Bendigo Bank is represented in every state and territory in Australia

Community Bank network has over 200 branches
This represents \$10 billion in business to the Bendigo Bank

\$10 million in grants and donations by the network
\$7 million has been paid in dividends to Community Bank Shareholders

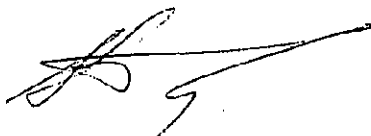
1000 staff employed in the Community Bank Network
Adelaide Bank Merger with BBL nearing completion, which will double the size of the group

GENERAL BUSINESS: Keith Harvey would like to acknowledge the work that retiring director, Mr Ken McMaster, in establishing, promoting and supporting the Hillston & District Community Bank.

A round of applause for Ken McMaster's contribution was given

Kathleen McKenzie wanted to congratulate the Staff for the way they conduct the banking business and the directors for their efforts in promoting the bank.

CLOSURE: As there was no further business to raise the meeting was closed at 8.20pm.

A handwritten signature in black ink, appearing to be a stylized name, possibly 'K. Harvey' or similar, written over a horizontal line.

CHAIRMAN'S REPORT TO THE FOURTH A.G.M.
HILLSTON & DISTRICT FINANCIAL SERVICES LTD.

Ladies and Gentlemen,

It is with pleasure that I bring you a report on our progress during the last twelve months. You may recall that in my last report our business portfolio stood at about \$18M, and we have made good progress since then, to our current position of about \$26M. This level of business puts us very close to profitability, and therefore close to being able to pay you, our shareholders your first dividend as well as looking to provide Community contributions when possible.

Our original research had indicated that we could have achieved this point in just over two years; however the promised level of business did not come across in that time. Now, however, in spite of the adverse seasonal conditions, we are almost there, and we hope to be able to pay a dividend in the new year. With the support from U, our customers, it will happen and we will also be able to look at our big goal – increased community support.

The board of directors is very pleased with the performance of our staff, and the harmony which exists between them. This also shows as the branch being a pleasant place for our customers.

This year, as usual, one third of the board's members are due to retire in rotation, so that Steve Tuckett, John Fensom and myself are due to retire, and are eligible for re-election. During the year Peter Storrier was appointed to the board and now his position needs to be ratified by the AGM. Peter has performed well since his appointment and his acceptance by the shareholders is recommended.

As I have said many times, we are very lucky to have been accepted into the Bendigo Bank family, because their support of our branch gives the board of directors a lot of comfort. Their financial strength ensures the stability that is necessary during these troublesome times. Their policies of ensuring that their customers don't take on debts they will struggle to repay protects us all, and ensures the long term future for BBL, our branch and U, our customers.

It's great to be part of the Bendigo system and to be able to offer these facilities to our customers, now and in the future.

Thank you.

Keith R. Harvey, Chairman.

MANAGERS REPORT

It gives me great pleasure to report on the four years of operation of our Community Bank.

As at the 30th June 2008 our total business under management was \$26.077 million, which was split between deposits of \$12.921 million and loans of \$13.156 million, which is spread across 1267 accounts. This represents a business growth of \$8.382 million and account growth of 287 in the 12 months to 30th June 2008. Our business continues to grow and I look forward to continuing support from within our community to continue this business growth.

The growth for the 12 months of operation to the 30th June 2008 and the continued overall business growth, I believe, reflect the faith that the people of Hillston and surrounding districts have in our customer service and products and services that we offer.

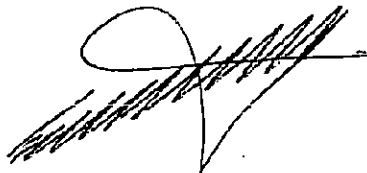
The branch staff, Julie Barnett, Ita Milthorpe and Vicki Kerr is thanked for their continued support over the past year. The staff achievements and support over the operational period of the Community Bank can not be underestimated, not only do they display dedication and pride in their roles, but also are eager to learn to ensure their respective roles in the office are carried out to the best of their ability.

I am also very appreciative of the board, who through their underlying support makes my position that much easier.

In terms of the future we are edging closer to meeting the goals that were set when the concept of a Community bank in this district was first discussed (these include returning a dividend to the shareholders and assisting local community based organisations in meeting their goals). The only way these goals will occur is with increased support from members of the Hillston & District communities in completing their banking business with us.

Thank you to our loyal customers for their support over the past year and for promoting their Community Bank branch with pride and confidence.

The success of the Hillston & District Community Bank is to benefit the whole community and we look forward to your continued support in the future.



Steve Tuckett
Manager

Hillston & District Financial Services Ltd

Financial Statements

as at

30 June 2008

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2008.

Directors

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

Keith Harvey
Chairman
Occupation: Retired

Steve Tuckett
Director & Treasurer
Occupation: Bank Manager

Keith Horneman
Director
Occupation: Farmer

David Fensom
Company Secretary
Occupation: Farmer

Bruce McKenzie
Director
Occupation: Retired

Stacey Storrier
Director
Occupation: Office Administer

Graeme May
Director
Occupation: Business Proprietor

Clifford Rose
Director
Occupation: Business Proprietor

Peter Storrier (appointed 21 November 2007)
Director
Occupation: Business Proprietor

Ken McMaster (resigned 21 November 2007)
Director
Occupation: Retired

William Younger
Director
Occupation: Farmer

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

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

Principal activities

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

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

Operating Results

The loss of the company for the financial year after provision for income tax was \$103,587 (2007: \$124,825).

Dividends

The directors recommend that no dividend be paid for the current year.

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.

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Directors' 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 periods.

Likely Developments

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

Directors' Benefits

Other than detailed below, 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.

Executive Remuneration

<u>Branch Manager</u>	<u>Primary Benefits</u> Salary & Fees \$	<u>Post Employment</u> Superannuation \$	<u>Total</u> \$
Steve Tuckett			
2008	64,216	5,779	69,995
2007	66,531	5,977	72,508

Indemnification and Insurance of Directors and Officers

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Managers of the company except where the liability arises out of conduct involving the lack of good faith.

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 by each of the Directors of the company during the year were:

Number of Meetings Held: 9

Number of Meetings Attended:

Keith Harvey	7
Steve Tuckett	9
Keith Horneman	5
David Fensom	9
Bruce McKenzie	6
Stacey Storrer	2
Graeme May	8
Clifford Rose	6
Peter Storrer (appointed 21 November 2007)	5
Ken McMaster (resigned 21 November 2007)	6
William Younger	8

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Directors' Report

Company Secretary

David John Fensom has been the company secretary of Hillston & District Financial Services Ltd since inception in 2004. David John Fensom is a farmer and grazier and has operated his own business for over 40 years.

Corporate Governance

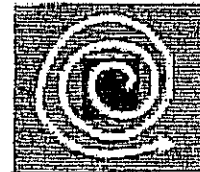
The company has implemented various corporate governance practices, which include:

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants




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

Auditor's Independence Declaration

In relation to our audit of the financial report of Hillston & District Financial Services Ltd for the year ended 30 June 2008, 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
25 September 2008

Signed in accordance with a resolution of the Board of Directors at Hillston, New South Wales on 25 September 2008.


Keith Harvey, Chairman

Hillston & District Financial Services Ltd
 ABN 44 107 725 977
 Income Statement
 For the year ended 30 June 2008

	<u>Notes</u>	2008 <u>\$</u>	2007 <u>\$</u>
Revenue from ordinary activities	2	217,451	157,871
Employee benefits expense	3	(169,402)	(151,191)
Charitable donations and sponsorship		(388)	(273)
Depreciation and amortisation expense	3	(36,028)	(36,898)
Finance costs	3	(19,711)	(2,693)
Other expenses from ordinary activities		<u>(127,359)</u>	<u>(131,500)</u>
Loss before income tax benefit		(135,437)	(164,684)
Income tax benefit	4	<u>31,850</u>	<u>39,859</u>
Loss after income tax benefit		<u>(103,587)</u>	<u>(124,825)</u>
Earnings per share (cents per share)			
- basic for loss for the year	21	(16.74)	(20.17)
- diluted for loss for the year	21	(16.74)	(20.17)

The accompanying notes form part of these financial statements

Hillston & District Financial Services Ltd
 ABN 44 107 725 977
 Balance Sheet
 As at 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Current Assets			
Cash assets	6	16	181
Receivables	7	26,054	16,006
Total Current Assets		<u>26,070</u>	<u>16,187</u>
Non-Current Assets			
Property, plant and equipment	8	81,659	84,836
Deferred income tax asset	4	190,210	158,360
Intangible assets	9	29,702	59,403
Total Non-Current Assets		<u>301,571</u>	<u>302,599</u>
Total Assets		<u>327,641</u>	<u>318,786</u>
Current Liabilities			
Payables	10	21,863	16,760
Interest bearing liabilities	11	252,472	144,632
Provisions	12	16,502	17,003
Total Current Liabilities		<u>290,837</u>	<u>178,395</u>
Total Liabilities		<u>290,837</u>	<u>178,395</u>
Net Assets		<u>36,804</u>	<u>140,391</u>
Equity			
Share capital	13	618,830	618,830
Accumulated losses	14	(582,026)	(478,439)
Total Equity		<u>36,804</u>	<u>140,391</u>

The accompanying notes form part of these financial statements

Hillston District Financial Services Ltd
 ABN 44 107 725 977
 Cash Flow Statement
 For the year ended 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		228,232	174,273
Cash payments in the course of operations		(313,376)	(295,215)
Interest paid		(19,711)	(2,693)
Net cash flows used in operating activities	15b	<u>(104,855)</u>	<u>(123,635)</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(3,150)	(613)
Net cash flows used in investing activities		<u>(3,150)</u>	<u>(613)</u>
Net decrease in cash held		(108,005)	(123,635)
Add opening cash brought forward		(144,451)	(20,816)
Closing cash carried forward	15a	<u>(252,456)</u>	<u>(144,451)</u>

The accompanying notes form part of these financial statements

Hillston District Financial Services Ltd
ABN 44 107 725 977
Statement of Changes In Equity
for the year ended 30 June 2008

	2008	2007
	\$	\$
SHARE CAPITAL		
<i>Ordinary shares</i>		
Balance at start of year	618,830	618,830
Issue of share capital	-	-
Share issue costs	-	-
Balance at end of year	<u>618,830</u>	<u>618,830</u>
 ACCUMULATED LOSSES		
Balance at start of year	(478,439)	(353,614)
Loss after income tax expense	<u>(103,587)</u>	<u>(124,825)</u>
Balance at end of year	<u>(582,026)</u>	<u>(478,439)</u>

The accompanying notes form part of these financial statements

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2008

1. Basis of preparation of the Financial Report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 25 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). 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 2007 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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.

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2008

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 Asset	Depreciation Rate
Plant & Equipment	2.5 - 20%

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.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2008

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 balance sheet. Cash flows are included in the cash flow statement 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 balance 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 cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative Figures

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

Hillston & District Financial Services Ltd
 ABN 44 107 725 977
 Notes to the Financial Statements
 for the year ended 30 June 2008

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.

Interest Bearing Liabilities

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.

Contributed Capital

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

2. Revenue from ordinary activities

	2008	2007
	\$	\$
Operating activities		
- services commissions	217,451	157,871
Total revenue from operating activities	217,451	157,871
Non-operating activities:		
- interest received	-	-
Total revenue from non-operating activities	-	-
Total revenue from ordinary activities	217,451	157,871

Hillston & District Financial Services Ltd
 ABN 44 107 725 977
 Notes to the Financial Statements
 for the year ended 30 June 2008

3. Expenses	2008	2007
	\$	\$
Employee benefits expense		
- wages and salaries	156,822	138,648
- superannuation costs	12,580	12,543
	<u>169,402</u>	<u>151,191</u>
 Depreciation of non-current assets:		
- plant and equipment	6,327	7,197
 Amortisation of non-current assets:		
- intangibles	29,701	29,701
	<u>36,028</u>	<u>36,898</u>
 Finance costs:		
- interest paid	19,711	2,693
 Bad debts	543	690
 4. Income Tax Expense		
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on loss before income tax at 30%	(40,631)	(49,405)
Add tax effect of:		
- Non-deductible expenses	8,781	9,546
<i>Current income tax benefit</i>	<u>(31,850)</u>	<u>(39,859)</u>
Income tax benefit	<u>(31,850)</u>	<u>(39,859)</u>
 Income tax losses		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>190,210</u>	<u>158,360</u>
 5. Auditors' Remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the company	<u>3,650</u>	<u>3,650</u>
 6. Cash Assets		
Cash on hand	<u>16</u>	<u>181</u>

Hillston & District Financial Services Ltd
 ABN 44 107 725 977
 Notes to the Financial Statements
 for the year ended 30 June 2008

	2008	2007
	£	\$
7. Receivables		
Prepayments	89	87
Rental bond	880	880
Trade debtors	25,085	15,039
	<u>26,054</u>	<u>16,006</u>
8. Property, Plant and Equipment		
<i>Leasehold Improvements</i>		
At cost	46,094	46,094
Less accumulated depreciation	-	-
	<u>46,094</u>	<u>46,094</u>
<i>Plant and equipment</i>		
At cost	65,942	62,792
Less accumulated depreciation	(30,377)	(24,050)
	<u>35,565</u>	<u>38,742</u>
Total written down amount	<u>81,659</u>	<u>84,836</u>
Movements in carrying amounts		
<i>Leasehold Improvements</i>		
Carrying amount at beginning of year	46,094	46,094
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Carrying amount at end of year	<u>46,094</u>	<u>46,094</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	38,742	45,939
Additions	3,150	-
Disposals	-	-
Depreciation expense	(6,327)	(7,197)
Carrying amount at end of year	<u>35,565</u>	<u>38,742</u>
9. Intangible Assets		
<i>Start up Costs</i>		
At cost	120,000	120,000
Less accumulated amortisation	(96,000)	(72,000)
	<u>24,000</u>	<u>48,000</u>
<i>Formation Expenses</i>		
At cost	28,508	28,508
Less accumulated amortisation	(22,806)	(17,105)
	<u>5,702</u>	<u>11,403</u>
	<u>29,702</u>	<u>59,403</u>

Hillston & District Financial Services Ltd
 ABN 44 107 725 977
 Notes to the Financial Statements
 for the year ended 30 June 2008

	2008	2007
	\$	\$
10. Payables		
Trade creditors	11,003	8,643
Other creditors and accruals	10,860	8,117
	<u>21,863</u>	<u>16,760</u>
11. Interest Bearing Liabilities		
Bank overdraft	<u>252,472</u>	<u>144,632</u>
12. Provisions		
Employee benefits	<u>16,502</u>	<u>17,003</u>
Number of employees at year end	<u>4</u>	<u>5</u>
13. Share Capital		
618,830 ordinary shares fully paid of \$1 each	<u>618,830</u>	<u>618,830</u>
14. Accumulated Losses		
Balance at the beginning of the financial year	(478,439)	(353,614)
Loss after income tax	(103,587)	(124,825)
Balance at the end of the financial year	<u>(582,026)</u>	<u>(478,439)</u>
15. Cash Flow Statement		
<i>(a) Reconciliation of cash</i>		
Cash assets	16	181
Bank overdraft	<u>(252,472)</u>	<u>(144,632)</u>
	<u>(252,456)</u>	<u>(144,451)</u>
<i>(b) Reconciliation of loss after tax to net cash used in operating activities</i>		
Loss after income tax	(103,587)	(124,825)
Non cash items		
- Depreciation	6,327	7,197
- Amortisation	29,701	29,701
Changes in assets and liabilities		
- (Increase)/decrease in receivables	(10,048)	730
- Increase/(decrease) in payables	5,103	1,302
- Increase/(decrease) in provisions	(501)	2,119
- (Increase)/decrease in deferred tax asset	(31,850)	(39,859)
Net cashflows used in operating activities	<u>(104,855)</u>	<u>(123,635)</u>

Hillston & District Financial Services Ltd
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for the year ended 30 June 2008

16. Director and Related Party Disclosures

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

Keith Harvey
 Steve Tuckett
 Keith Horneman
 David Fensom
 Bruce McKenzie
 Stacey Storrier
 Graeme May
 Clifford Rose
 Peter Storrier (appointed 21 November 2007)
 Ken McMaster (resigned 21 November 2007)
 William Younger

Other than detailed below, no director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	2008	2007
Keith Harvey	10,000	10,000
Steve Tuckett	-	-
Keith Horneman	2,000	2,000
David Fensom	6,000	6,000
Bruce McKenzie	4,000	4,000
Stacey Storrier	4,500	4,500
Graeme May	1,000	1,000
Clifford Rose	-	-
Peter Storrier (appointed 21 November 2007)	500	500
Ken McMaster (resigned 21 November 2007)	2,000	2,000
William Younger	50,000	50,000

There was no movement in shares held during the year. Each share held has a paid up value of \$1 and is fully paid.

Executive Remuneration

<u>Branch Manager</u>	<u>Primary Benefits Salary & Fees</u> \$	<u>Post Employment Superannuation</u> \$	<u>Total</u> \$
Steve Tuckett			
2008	64,216	5,779	69,995
2007	66,531	5,977	72,508

17. Subsequent Events

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

18. Contingent Liabilities

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

Hillston & District Financial Services Ltd
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 Notes to the Financial Statements
 for the year ended 30 June 2008

19. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Hillston, New South Wales.

20. Corporate Information

Hillston & District Community Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is: 174 High Street
 Hillston

	2008	2007
21. Earnings per share	\$	\$

Basic earnings per share amounts are calculated by dividing 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 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:

Loss after income tax expense	<u>(103,587)</u>	<u>(124,825)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>618,830</u>	<u>618,830</u>

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Notes to the Financial Statements
For the year ended 30 June 2007

22. Financial risk management

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

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

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

(a) Credit Risk

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

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

	<u>Carrying Amount</u>	
	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Cash assets	16	181
Receivables	26,054	16,006
	<u>26,070</u>	<u>16,187</u>

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

None of the assets of the Company are past due (2007: 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.

The Company has an established overdraft facility of \$300,000 with Bendigo and Adelaide Bank Ltd.

Hillston & District Financial Services Ltd
 ABN 44 107 725 977
 Notes to the Financial Statements
 For the year ended 30 June 2007

22. 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 2008					
Payables	21,863	(21,863)	(21,863)	-	-
Interest bearing liabilities	252,472	(252,472)	(252,472)	-	-
	<u>274,335</u>	<u>(274,335)</u>	<u>(274,335)</u>	<u>-</u>	<u>-</u>
30 June 2007					
Payables	16,760	(16,760)	(16,760)	-	-
Interest bearing liabilities	144,632	(144,632)	(144,632)	-	-
	<u>161,392</u>	<u>(161,392)</u>	<u>(161,392)</u>	<u>-</u>	<u>-</u>

(c) Market risk

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

Interest Rate Risk

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

Sensitivity analysis

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

	Carrying Amount	
	2008	2007
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>
Variable rate instruments		
Financial assets	-	-
Financial liabilities	252,472	144,632
	<u>252,472</u>	<u>144,632</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Notes to the Financial Statements
For the year ended 30 June 2007

22. 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 Balance Sheet. 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 Balance Sheet.

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 2008 can be seen in the Income Statement.

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

Hillston & District Financial Services Ltd
ABN 44 107 725 977
Directors Declaration

In accordance with a resolution of the directors of Hillston & District 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 2008 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.



Keith Harvey, Chairman

Signed at Hillston, New South Wales on 25 September 2008

Richmond Sinnott & Delahunty

Chartered Accountants



25 September 2008

The Directors
Hillston & District Financial Services Limited
PO Box 272
HILLSTON NSW 2675

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

Dear Directors

We have now completed our audit of the financial report of Hillston & District Financial Services Limited for year ended 30 June 2008. 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 Income Statement

	30 June 2008	30 June 2007
	\$	\$
Revenue from ordinary activities	217,451	157,871
Employee benefits expense	(169,402)	(151,191)
Charitable donations & sponsorship	(388)	(273)
Depreciation & amortisation expenses	(36,028)	(36,898)
Finance costs	(19,711)	(2,693)
Administration and other operating expenses	(127,359)	(131,500)
Loss before income tax	(135,437)	(164,684)
Income tax benefit	31,850	39,859
Loss after income tax	(103,587)	(124,825)

2.2 Balance Sheet

	30 June 2008	30 June 2007
	\$	\$
Current assets	26,070	16,187
Non-current assets	301,571	302,599
Total assets	327,641	318,786
Total liabilities	290,837	178,395
Shareholders' equity	36,804	140,391

3. Auditing/Accounting Issues

During our audit we noted the following matters that we recommend the directors continue to monitor before future audits are completed.

3.1 Going concern

The financial statements have been prepared on the basis of going concern. We understand that Bendigo & Adelaide Bank Limited will provide the necessary working capital by way of an overdraft facility to Hillston & District Financial Services Limited to support the company's operations for the current financial year. The provision of this facility is dependent upon Hillston & District Financial Services Limited fulfilling their ongoing responsibilities and obligations under the Franchise Agreement and continuing to work closely with Bendigo Bank management to grow this business.

Without this support we have serious concerns in relation to the ongoing viability of Hillston & District Financial Services Limited. With accumulated losses of \$582,026 and net assets of \$36,804 we encourage the directors to closely monitor actual results to budget. It is therefore important that budgets are prepared and monitored. Finally, we note that excluding the deferred income tax asset a net liability position of \$153,406 exists.

3.2 Leasehold Improvements Depreciation

As per prior year, it was again noted during fixed asset testing that all leasehold improvement costs capitalised had not been depreciated during the year. It is recommended that these are depreciated using the prime cost method at 2.5% per annum. The financial statements have not been adjusted as the depreciation amount was immaterial.

3.3 Franchise Fee Deductibility

You may be aware that in 2007 Bendigo Bank requested PWC to complete a review of the deductibility of various payments made in relation to establishment and franchise fees paid by Community Banks. We understand this report has been distributed to all Community Banks and recommend this report is reviewed before completion of future taxation returns.

As part of our audit this year we have sent a copy of this report to Steve Tuckett.

4. Summary of Audit Differences

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

5. Other Matters

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

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

Yours sincerely

A handwritten signature in cursive script, appearing to read "W. Sinnott".

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott & Delahunty
Chartered Accountants



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

25 September 2008

The Directors
Hillston & District Financial Services Ltd
PO Box 272
HILLSTON NSW 2675

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Hillston & District Financial Services Limited for the year ended 30 June 2008, 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.

A handwritten signature in black ink, appearing to read 'W Sinnott', written in a cursive style.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott & Delahunty

Chartered Accountants



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

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

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Hillston & District Financial Services Limited, for the year ended 30 June 2008.

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

Audit approach

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

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

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

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

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

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

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Hillston & District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 25 September 2008