

## Chairman's report

Ladies and Gentlemen,

I have much pleasure, on behalf of the Board of Directors, in presenting my fifth Chairman's report. Our fifth birthday on 3 September saw us operating in the black for the third month in a row, which is a very pleasing achievement after the hard work of the past five years. If only all the business that was pledged to us back in 2003 and 2004 had come across, we would have reached this goal much sooner, and by now could have been giving you all dividends for your investment, and providing our communities with more substantial support.

Ladies and Gentlemen, it is not too late to switch your banking business to your **Community Bank**<sup>®</sup> branch. Our branch is firmly established on a sound conservative base and is here for the long run, with a charter to build our community and strengthen it into the future. The profits our **Community Bank**<sup>®</sup> branch makes goes straight back into the local area so that we have greater security and a better place to live in.

Everyone knows that money does not grow on trees. It takes commitment, perseverance, effort and the will to make it happen, and so I appeal to you all to make a commitment to put your business with "your" bank because the rewards will come back to you in many ways.

Some of the support so far given by our bank to the community has included a \$5,000 contribution, in partnership with the Shire Council and the Riverina Division of General Practice, to upgrade medical equipment technology in our Medical Centre, which will remain in community ownership. We have joined with the Masonic Lodge in supporting Hands Across NSW, with a \$200 contribution per year for five years. This program gives financial assistance to worthy students to progress their studies further. Sponsorship has also been extended to the Show Society, the Triathlon, Fisherama, Junior Football codes, the Cancer Council, the Jockey Club, the Golf Club, the Community Centre and more.

Our branch "book" has grown from \$26 million this time last year to \$32 million this year, and continues to grow. However to boost our earnings we need more of your banking business, so I encourage you to delay no further and talk to our Branch Manager Steve, who will assist you in making the change. We, the bank, need your banking business and I suggest that you need our ongoing support in growing our community.

The Board has been pleased with the performance of our staff, Julie, Vicki and Ita, who are continuing to upgrade their skills to enable them to give you, our customers, the premium service that you deserve. Steve, of course, continues to lead the team, providing a pleasant and harmonious work place, which continues to receive favorable comment.

This year, as per our constitution, three Directors will retire in rotation, namely Graham May, Bruce McKenzie and Clifford Rose, and all are eligible for re-election.

We have a vacancy on our Board at present, and we are hoping that someone will put their hand up to fill this position, and help direct our bank in the future.

In spite of the poor seasonal outlook at present we are confident that things will turn around. We are also well aware that there is a lot of banking business in our area that is being done “outside”, which does not help our community. It is business which we know we can accommodate. Our Board, therefore, is working hard to bring this business back to town for our mutual benefit. If there is any way you can help, please do so, and our staff will assist you all the way.

Nomination forms are available from Steve at our branch, and any two shareholders can nominate someone to become a Director. Nomination forms MUST be in to Steve 14 days prior to the AGM, ie by close of business on Wednesday 4 November.

The AGM is an important venue for all shareholders to get to know what our branch is all about, and where it is going, so we look forward to your attendance.

In closing this report, I must recognise and thank both staff and Directors for the way they have supported the ongoing operation of our **Community Bank**<sup>®</sup> branch during the last 12 months, and I look forward to their further commitment.

**Keith R. Harvey**  
**Chairman**

## Manager's report

It gives me great pleasure to report on the five years of operation of our **Community Bank<sup>®</sup>** branch.

As at 30 June 2009 our total business under management was \$31.261 million, which was split between deposits of \$15.751 million and loans of \$15.510 million, which is spread across 1,439 accounts. This represents a business growth of \$5.184 million and account growth of 172 in the 12 months to 30 June 2009.

June 2009 was the first cash profit month of our **Community Bank<sup>®</sup>** branch and this trend has continued into the new financial reporting year. Our business continues to grow, in somewhat trying economic conditions. I look forward to continuing support from within our community to continue this business growth.

The growth for the 12 months of operation to 30 June 2009 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.

Thank you to the branch staff, Julie Barnett, Ita Milthorpe and Vicki Kerr for their continued support over the past year. The staff achievements and support over the operational period of the **Community Bank<sup>®</sup>** branch cannot 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<sup>®</sup>** branch 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<sup>®</sup>** branch with pride and confidence.

The success of Hillston & District **Community Bank<sup>®</sup>** Branch 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 2009**

**HILLSTON & DISTRICT FINANCIAL SERVICES LIMITED**

**ABN 44 107 725 977**

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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 2009.

**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 (resigned 27 October 2008)  
Director  
Occupation: Office Administer

Graeme May  
Director  
Occupation: Business Proprietor

Clifford Rose  
Director  
Occupation: Business Proprietor

Peter Storrier  
Director  
Occupation: Business Proprietor

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 \$81,819 (2008: \$103,587).

**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			
2009	69,037	6,366	75,403
2008	64,216	5,779	69,995

**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:** 10

**Number of Meetings Attended:**

Keith Harvey	9
Steve Tuckett	10
Keith Horneman	4
David Fensom	9
Bruce McKenzie	5
Stacey Storrier (resigned 27 October 2008)	1
Graeme May	7
Clifford Rose	8
Peter Storrier	10
William Younger	7

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](mailto: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 2009, 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  
28 September 2009

Signed in accordance with a resolution of the Board of Directors at Hillston, New South Wales on 28 September 2009.

  
\_\_\_\_\_  
Keith Harvey, Chairman



Hillston & District Financial Services Ltd  
 ABN 44 107 725 977  
 Income Statement  
 For the year ended 30 June 2009

	<u>Notes</u>	2009 \$	2008 \$
Revenue from ordinary activities	2	286,943	217,451
Employee benefits expense	3	(194,958)	(169,402)
Charitable donations and sponsorship		(1,432)	(388)
Depreciation and amortisation expense	3	(35,918)	(36,028)
Finance costs	3	(14,377)	(19,711)
Other expenses from ordinary activities		<u>(140,444)</u>	<u>(127,359)</u>
<b>Loss before income tax benefit</b>		(100,186)	(135,437)
Income tax benefit	4	<u>18,367</u>	<u>31,850</u>
<b>Loss after income tax benefit</b>		<u>(81,819)</u>	<u>(103,587)</u>
<b>Earnings per share (cents per share)</b>			
- basic for loss for the year	21	(13.22)	(16.74)
- diluted for loss for the year	21	(13.22)	(16.74)

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 2009

	<u>Notes</u>	2009 \$	2008 \$
<b>Current Assets</b>			
Cash assets	6	200	16
Receivables	7	32,892	26,054
<b>Total Current Assets</b>		<u>33,092</u>	<u>26,070</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	75,176	81,659
Deferred income tax asset	4	208,577	190,210
Intangible assets	9	-	29,702
<b>Total Non-Current Assets</b>		<u>283,753</u>	<u>301,571</u>
<b>Total Assets</b>		<u>316,845</u>	<u>327,641</u>
<b>Current Liabilities</b>			
Payables	10	22,184	21,863
Interest bearing liabilities	11	315,383	252,472
Provisions	12	24,293	16,502
<b>Total Current Liabilities</b>		<u>361,860</u>	<u>290,837</u>
<b>Total Liabilities</b>		<u>361,860</u>	<u>290,837</u>
<b>Net Assets/(Liabilities)</b>		<u>(45,015)</u>	<u>36,804</u>
<b>Equity</b>			
Share capital	13	618,830	618,830
Accumulated losses	14	(663,845)	(582,026)
<b>Total Equity</b>		<u>(45,015)</u>	<u>36,804</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 2009

	<u>Notes</u>	2009 <u>\$</u>	2008 <u>\$</u>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		308,645	228,232
Cash payments in the course of operations		(357,262)	(313,376)
Interest paid		(14,377)	(19,711)
<b>Net cash flows used in operating activities</b>	15b	<u>(62,994)</u>	<u>(104,855)</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(887)	(3,150)
Refund for property, plant and equipment		1,154	-
<b>Net cash flows used in investing activities</b>		<u>267</u>	<u>(3,150)</u>
<b>Net decrease in cash held</b>		(62,727)	(108,005)
Add opening cash brought forward		(252,456)	(144,451)
<b>Closing cash carried forward</b>	15a	<u>(315,183)</u>	<u>(252,456)</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 2009

	2009	2008
	<u>\$</u>	<u>\$</u>
<b>SHARE CAPITAL</b>		
<i>Ordinary shares</i>		
Balance at start of year	618,830	618,830
Issue of share capital	-	-
Share issue costs	<u>-</u>	<u>-</u>
<b>Balance at end of year</b>	<u><u>618,830</u></u>	<u><u>618,830</u></u>
 <b>ACCUMULATED LOSSES</b>		
Balance at start of year	(582,026)	(478,439)
Loss after income tax expense	<u>(81,819)</u>	<u>(103,587)</u>
<b>Balance at end of year</b>	<u><u>(663,845)</u></u>	<u><u>(582,026)</u></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 2009

**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 28 September 2009.

**(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 2008 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 2009

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 diminishing value basis over the estimated useful life of the asset as follows:

Class of Asset	Depreciation Rate
Leasehold Improvements	2.5%
Plant & Equipment	2.5 - 33.33%

*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 2009

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 2009

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**

	2009	2008
	\$	\$
Operating activities		
- services commissions	286,943	217,451
Total revenue from operating activities	286,943	217,451
Non-operating activities:		
- interest received	-	-
Total revenue from non-operating activities	-	-
Total revenue from ordinary activities	286,943	217,451



Hillston & District Financial Services Ltd  
 ABN 44 107 725 977  
 Notes to the Financial Statements  
 for the year ended 30 June 2009

3. Expenses	2009	2008
	\$	\$
Employee benefits expense		
- wages and salaries	177,995	156,822
- superannuation costs	16,963	12,580
	<u>194,958</u>	<u>169,402</u>
Depreciation of non-current assets:		
- plant and equipment	6,216	6,327
Amortisation of non-current assets:		
- intangibles	29,702	29,701
	<u>35,918</u>	<u>36,028</u>
Finance costs:		
- interest paid	14,377	19,711
Bad debts	2,208	543
<b>4. Income Tax Expense</b>		
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%	(30,056)	(40,631)
Add tax effect of:		
- Non-deductible expenses	11,689	8,781
<i>Current income tax benefit</i>	<u>(18,367)</u>	<u>(31,850)</u>
Income tax benefit	<u>(18,367)</u>	<u>(31,850)</u>
<b>Income tax losses</b>		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>208,577</u>	<u>190,210</u>
<b>5. Auditors' Remuneration</b>		
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>
<b>6. Cash Assets</b>		
Cash on hand	<u>200</u>	<u>16</u>

Hillston & District Financial Services Ltd  
 ABN 44 107 725 977  
 Notes to the Financial Statements  
 for the year ended 30 June 2009

	2009	2008
	\$	\$
<b>7. Receivables</b>		
Prepayments	100	89
Rental bond	880	880
Trade debtors	31,912	25,085
	<u>32,892</u>	<u>26,054</u>
<b>8. Property, Plant and Equipment</b>		
<i>Leasehold Improvements</i>		
At cost	46,981	46,094
Less accumulated depreciation	(1,069)	-
	<u>45,912</u>	<u>46,094</u>
<i>Plant and equipment</i>		
At cost	64,788	65,942
Less accumulated depreciation	(35,524)	(30,377)
	<u>29,264</u>	<u>35,565</u>
Total written down amount	<u>75,176</u>	<u>81,659</u>
<b>Movements in carrying amounts</b>		
<i>Leasehold Improvements</i>		
Carrying amount at beginning of year	46,094	46,094
Additions	887	-
Disposals	-	-
Depreciation expense	(1,069)	-
Carrying amount at end of year	<u>45,912</u>	<u>46,094</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	35,565	38,742
Additions	-	3,150
Disposals	(1,154)	-
Depreciation expense	(5,147)	(6,327)
Carrying amount at end of year	<u>29,264</u>	<u>35,565</u>
<b>9. Intangible Assets</b>		
<i>Start up Costs</i>		
At cost	120,000	120,000
Less accumulated amortisation	(120,000)	(96,000)
	<u>-</u>	<u>24,000</u>
<i>Formation Expenses</i>		
At cost	28,508	28,508
Less accumulated amortisation	(28,508)	(22,806)
	<u>-</u>	<u>5,702</u>
	<u>-</u>	<u>29,702</u>

Hillston & District Financial Services Ltd  
 ABN 44 107 725 977  
 Notes to the Financial Statements  
 for the year ended 30 June 2009

	2009	2008
	\$	\$
<b>10. Payables</b>		
Trade creditors	12,669	11,003
Other creditors and accruals	9,515	10,860
	<u>22,184</u>	<u>21,863</u>
<b>11. Interest Bearing Liabilities</b>		
Bank overdraft	<u>315,383</u>	<u>252,472</u>
<b>12. Provisions</b>		
Employee benefits	<u>24,293</u>	<u>16,502</u>
Number of employees at year end	<u>4</u>	<u>4</u>
<b>13. Share Capital</b>		
618,830 ordinary shares fully paid of \$1 each	<u>618,830</u>	<u>618,830</u>
<b>14. Accumulated Losses</b>		
Balance at the beginning of the financial year	(582,026)	(478,439)
Loss after income tax	(81,819)	(103,587)
Balance at the end of the financial year	<u>(663,845)</u>	<u>(582,026)</u>
<b>15. Cash Flow Statement</b>		
<i>(a) Reconciliation of cash</i>		
Cash assets	200	16
Bank overdraft	<u>(315,383)</u>	<u>(252,472)</u>
	<u>(315,183)</u>	<u>(252,456)</u>
<i>(b) Reconciliation of loss after tax to net cash used in operating activities</i>		
Loss after income tax	(81,819)	(103,587)
Non cash items		
- Depreciation	6,216	6,327
- Amortisation	29,702	29,701
Changes in assets and liabilities		
- (Increase)/decrease in receivables	(6,838)	(10,048)
- Increase/(decrease) in payables	321	5,103
- Increase/(decrease) in provisions	7,791	(501)
- (Increase)/decrease in deferred tax asset	(18,367)	(31,850)
Net cashflows used in operating activities	<u>(62,994)</u>	<u>(104,855)</u>

Hillston & District Financial Services Ltd  
 ABN 44 107 725 977  
 Notes to the Financial Statements  
 for the year ended 30 June 2009

**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 (resigned 27 October 2008)  
 Graeme May  
 Clifford Rose  
 Peter Storrier  
 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	2009	2008
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 (resigned 27 October 2008)	4,500	4,500
Graeme May	1,000	1,000
Clifford Rose	-	-
Peter Storrier	500	500
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 &amp; Fees</u> \$	<u>Post Employment Superannuation</u> \$	<u>Total</u> \$
Steve Tuckett			
2009	69,037	6,366	75,403
2008	64,216	5,779	69,995

**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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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

21. Earnings per share	2009 \$	2008 \$
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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	(81,819)	(103,587)
Weighted average number of ordinary shares for basic and diluted earnings per share	618,830	618,830

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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>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>
Cash assets	200	16
Receivables	<u>32,892</u>	<u>26,054</u>
	<u>33,092</u>	<u>26,070</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 (2008: 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 \$350,000 with Bendigo and Adelaide Bank Ltd.

Hillston & District Financial Services Ltd  
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 Notes to the Financial Statements  
 For the year ended 30 June 2009

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
	\$	\$	\$	\$	\$
<b>30 June 2009</b>					
Payables	22,184	(22,184)	(22,184)	-	-
Interest bearing liabilities	315,383	(315,383)	(315,383)	-	-
	<u>337,567</u>	<u>(337,567)</u>	<u>(337,567)</u>	<u>-</u>	<u>-</u>
<b>30 June 2008</b>					
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>

(c) Market risk

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

*Interest Rate Risk*

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

**Sensitivity analysis**

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

	<u>Carrying Amount</u>	
	2009	2008
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	315,383	252,472
	<u>315,383</u>	<u>252,472</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 2008 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 2009

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 2009 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 2009 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.

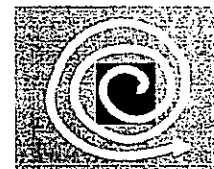


Keith Harvey, Chairman

Signed at Hillston, New South Wales on 28 September 2009.

# Richmond Sinnott & Delahunty

Chartered Accountants



28 September 2009

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 2009. 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 2009 \$	30 June 2008 \$
Revenue from ordinary activities	286,943	217,451
Employee benefits expense	(194,958)	(169,402)
Charitable donations & sponsorship	(1,432)	(388)
Depreciation & amortisation expenses	(35,918)	(36,028)
Finance costs	(14,377)	(19,711)
Administration and other operating expenses	(140,444)	(127,359)
Loss before income tax	(100,186)	(135,437)
Income tax benefit	18,367	31,850
Loss after income tax	(81,819)	(103,587)

### 2.2 Balance Sheet

	30 June 2009 \$	30 June 2008 \$
Current assets	33,092	26,070
Non-current assets	283,753	301,571
Total assets	316,845	327,641
Total liabilities	361,860	290,837
Shareholders' equity	(45,015)	36,804

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

During our audit we noted the following matter 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 \$663,845 and net liabilities of \$45,015 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 \$253,592 exists.

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

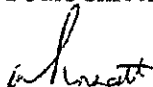
There are no material audit differences that have not been included in the financial report for Hillston & District Financial Services Limited.

### **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.

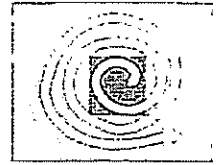
Should you have any queries in relation to the above or any other matters please do not hesitate to contact either Stephen Brown or myself.

Yours sincerely



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

Richmond Sinnott & Delahunty  
Chartered Accountants



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

28 September 2009

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 2009, 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