

Hillston & District Financial Services Limited



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 5th ANNUAL GENERAL MEETING of HILLSTON & DISTRICT FINANCIAL SERVICES LIMITED will be held at the Hillston Ex-servicemen's & Citizens Club on Wednesday the 27th October 2010 commencing at 7:30 p.m.

AGENDA

Present/Apologies

Minutes of Previous AGM 18th November 2009

Chairman's Report

The Chairman, Mr G May, will present his report on the operations of the Company for the year ended 30 June 2010.

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 2010 and Balance Sheet of the Company as at 30 June 2010.
2. The directors' declaration and report by auditors for the financial year ended 30 June 2010.
3. The directors' report for the financial year ended 30 June 2010.


Election of Directors

- a) Mr M Bretschneider, Mr K Horneman and Mr S Tuckett 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

PO Box 272, Hillston NSW 2675 Phone 02 6967 1422 Fax 02 6967 1433 ACN 107 725 977
Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 478 AFSL 237879

CO15LHb CB280 (92166-v1) (31/07/2009)

Notes:

1. Mr S Tuckett and Mr K Hornehan will retire under section 62 of the constitution of Hillston & District Financial Services Limited and have indicated they all will seek re-election.

Mr M Brettschneider will retire under section 52(2) of the constitution of Hillston & District Financial Services Limited. Mr Brettschneider 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 Ltd. ANNUAL GENERAL MEETING.

HELD at EX-SERVICEMENS & CITIZENS CLUB. WEDNESDAY 18th NOVEMBER 2009.

PRESENT.

As per meeting register.

Apologies.

D. Fensom, R. Cashmere, P. Laird, W. Younger.

Resolved that apologies be accepted.

Minutes of 2008 AGM.

Resolved that minutes of 2008 AGM as circulated in meeting notice be adopted.

Business Arising.

None.

Chairman's Report.

Resolved that Chairman's report as circulated be adopted.

Manager's Report.

As circulated; Managers additional comments; Our business made a loss for the current year but indications are that we will be in a profitable position before the next AGM.

Resolved that manager's report be adopted.

Adoption of accounts.

Chairman asked meeting for comments on our published financial statements but there were none. Resolved that financial reports be adopted.

Election of Directors.

Directors G. May and C. Rose retire by rotation and offer themselves for re election. Both Directors were re elected. Michael Brettschneider was nominated by C. Rose and G. May for position of Director.

General Business.

Board member P. Storrer asked the meeting if anyone present could offer suggestions on how our business could be improved but the audience did not make any comments.

Regional Manager Tim Butt spoke briefly making mention of the many withdrawals of banking services from small communities which were withdrawn without any consultation with local people. The Community Bank model works on the principle of money being circulated through the community. The Bendigo Bank Development Fund provides funds for non profit projects and this in turn attracts grants from State and Federal Governments thus bringing in outside money which we would not otherwise obtain. Chairman Keith asked the audience for comments but none were forthcoming.

Shareholder D. Shears asked how much money did Bendigo Bank return to Hillston last year. He estimated that Bendigo Bank took one hundred and fifty thousand dollars out of Hillston and would like to know how much was returned, but the meeting was unable to give a comprehensive answer. This was a good question for the Board to check out the answer to.

Chairman Keith made a few closing comments and the meeting closed at 8-20 pm.

A handwritten signature in black ink, appearing to be 'K. J.', written over a horizontal line.

MANAGERS REPORT

It gives me great pleasure to report on the past 12 months of operation of our Community Bank.

As at the 30th June 2010 our total business under management was \$32.071 million, which was split between deposits of \$14.961 million and loans of \$17.110 million, which is spread across 1478 accounts. This represents a business growth of \$.810 million and account growth of 44 in the 12 months to 30th June 2009. Loan growth was up \$1.60 million and deposits held fell by \$.79 million over the year. I believe this can be attributed to the prevailing economic conditions over the past few years which have culminated in capital positions being stretched.

Over the past few months we are making small cash profits and we need to consolidate this position. To obtain the business growth required to consolidate position we have set targets of \$10 million growth in the next 12 months. With the outlook at this stage very promising I believe these targets we have set are achievable, but only with the support within the Hillston and District Community in general. The Bendigo & Adelaide Bank have positioned themselves well within the Riverina and have the Business Bank Managers, Agribusiness Managers and Wealth creation managers to support this region.

We welcome Charone Moore to the staff, with Ita Milthorpe resigning after 5 years of dedicated service to the Hillston & District Community Bank. The branch staff, Julie Barnett, Vicki Kerr, Charone Moore and Ita Milthorpe are 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. To date we have supported community projects include the Hillston Medical Centre upgrade for \$5,000, pledge of \$15,000 with other Community organisations to the Hillston Bike and Skate park committee, pledge of support to the Hillston Sports Pavilion project of \$20,000 plus our continued support of other local events including the Hillston Hook Line and Sinker Fishing Festival, Hillston Show, Hillston annual races and others. A return to our patient shareholders of some form of dividend payment is probably our main aim in the short term and the board and Bendigo & Adelaide Bank are working towards this. To ensure these goals are met and maintained we require 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 Limited

Financial Statements

as at

30 June 2010

HILLSTON & DISTRICT FINANCIAL SERVICES LIMITED

ABN 44 107 725 97

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Director's Report

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Statement of Financial Position

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Notes To and Forming Part of the Financial Statements

Directors Declaration

Auditors Report

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

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

Directors

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

Keith Harvey Director Occupation: Retired	Steve Tuckett Director & Treasurer Occupation: Bank Manager
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Keith Horneman Director Occupation: Farmer	David Fensom Company Secretary Occupation: Farmer
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Bruce McKenzie Director Occupation: Retired	Clifford Rose Director Occupation: Business Proprietor
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Graeme May Chairman Occupation: Business Proprietor	William Younger Director Occupation: Farmer
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Peter Storrier Director Occupation: Business Proprietor	Michael Bretschneider (appointed 25 January 2010) Director Occupation: Business Proprietor
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Directors were in office for this entire year unless otherwise stated.

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

Principal activities

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

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

Operating Results

The loss of the Company for the financial year after provision for income tax was \$36,738 (2009: \$81,819).

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

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.

Significant events after the balance date

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

Likely Developments

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

Directors' Benefits

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>	Primary <u>Benefits</u> Salary & Fees \$	Post <u>Employment</u> Superannuation \$	<u>Total</u> \$
Steve Tuckett			
2010	68,729	6,511	75,240
2009	69,037	6,366	75,403

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

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #
Keith Harvey	6 (10)
Steve Tuckett	10 (10)
Keith Hornehan	8 (10)
David Fensom	9 (10)
Bruce McKenzie	8 (10)
Graeme May	9 (10)
Clifford Rose	9 (10)
Peter Storrer	10 (10)
Michael Bretschneider (appointed 25 January 2010)	4 (4)
William Younger	9 (10)

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

Company Secretary

David John Fensom has been the Company secretary of Hillston & District Financial Services Limited 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



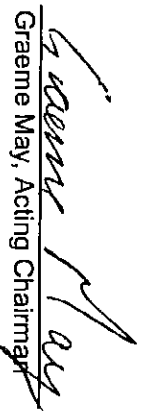
172-176 Melvor Rd
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Hillston & District Financial Services Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
24 September 2010

Signed in accordance with a resolution of the Board of Directors at Hillston, New South Wales on 24 September 2010.


Graeme May, Acting Chairman

Hillston & District Financial Services Limited
ABN 44 107 725 977
Statement of Comprehensive Income
For the year ended 30 June 2010

	<u>Notes</u>	2010	2009
		\$	\$
Revenue from ordinary activities	2	356,384	286,943
Employee benefits expense	3	(210,761)	(194,958)
Charitable donations and sponsorship		(8,864)	(1,432)
Depreciation and amortisation expense	3	(5,575)	(35,918)
Finance costs	3	(27,226)	(14,377)
Other expenses from ordinary activities		<u>(151,522)</u>	<u>(140,444)</u>
Loss before income tax benefit		(47,564)	(100,186)
Income tax benefit	4	<u>10,826</u>	<u>18,367</u>
Loss after income tax benefit		(36,738)	(81,819)
Other comprehensive income		-	-
Total comprehensive income		<u><u>(36,738)</u></u>	<u><u>(81,819)</u></u>
Earnings per share (cents per share)			
- basic for loss for the year	22	(5.94)	(13.22)
- diluted for loss for the year	22	(5.94)	(13.22)

Hillston & District Financial Services Limited
ABN 44 107 725 977
Statement of Financial Position
As at 30 June 2010

	<u>Notes</u>	2010	2009
		\$	\$
Current Assets			
Cash and cash equivalents	6	200	200
Receivables	7	34,095	32,892
Total Current Assets		<u>34,295</u>	<u>33,092</u>
Non-Current Assets			
Property, plant and equipment	8	69,601	75,176
Deferred tax assets	4	219,403	208,577
Intangible assets	9	-	-
Total Non-Current Assets		<u>289,004</u>	<u>283,753</u>
Total Assets		<u>323,299</u>	<u>316,845</u>
Current Liabilities			
Payables	10	29,387	22,184
Loans and borrowings	11	340,356	315,383
Provisions	12	22,537	24,293
Total Current Liabilities		<u>392,280</u>	<u>361,860</u>
Non-Current Liabilities			
Provisions	12	12,772	-
Total Non-Current Liabilities		<u>12,772</u>	<u>-</u>
Total Liabilities		<u>405,052</u>	<u>361,860</u>
Net Assets/(Liabilities)		<u>(81,753)</u>	<u>(45,015)</u>
Equity			
Share capital	13	618,830	618,830
Accumulated losses	14	(700,583)	(663,845)
Total Equity		<u>(81,753)</u>	<u>(45,015)</u>

The accompanying notes form part of these financial statements

Hillston District Financial Services Limited
ABN 44 107 725 977
Statement of Cash Flows
For the year ended 30 June 2010

	<u>Notes</u>	2010	2009
		\$	\$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		388,025	308,645
Cash payments in the course of operations		(385,772)	(357,262)
Interest paid		(27,226)	(14,377)
Net cash flows used in operating activities	15b	<u>(24,973)</u>	<u>(62,994)</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(887)
Refund for property, plant and equipment		-	1,154
Net cash flows used in investing activities		<u>-</u>	<u>(887)</u>
Net decrease in cash held		(24,973)	(62,727)
Cash and cash equivalents at start of year		(315,183)	(252,456)
Cash and cash equivalents at end of year	15a	<u>(340,156)</u>	<u>(315,183)</u>

Hillston District Financial Services Limited
ABN 44 107 725 977
Statement of Changes in Equity
for the year ended 30 June 2010

	2010	2009
	\$	\$
	<u>Notes</u>	
SHARE CAPITAL		
Balance at start of year	618,830	618,830
Issue of share capital	-	-
Share issue costs	-	-
Balance at end of year	<u><u>618,830</u></u>	<u><u>618,830</u></u>
ACCUMULATED LOSSES		
Balance at start of year	(663,845)	(582,026)
Loss after income tax	(36,738)	(81,819)
Dividends paid	20	-
Balance at end of year	<u><u>(700,583)</u></u>	<u><u>(663,845)</u></u>

The accompanying notes form part of these financial statements

Hillston & District Financial Services Limited
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Hillston & District Financial Services Limited (the Company) is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

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

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

The financial statements were authorised for issue by the Directors on 24 September 2010.

(b) Statement of compliance

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

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

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

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

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

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

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

Hillston & District Financial Services Limited
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2010

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

Property, plant and equipment

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

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

Depreciation is calculated on a 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.

Hillston & District Financial Services Limited
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2010

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

Recoverable amount of assets

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

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

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

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee Benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

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 Limited
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2010

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

Revenue

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

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Loans and Borrowings

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

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

Share Capital

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

	2010	2009
	\$	\$
2. Revenue from ordinary activities		
Operating activities		
- services commissions	356,384	286,943
Total revenue from operating activities	<u>356,384</u>	<u>286,943</u>
Non-operating activities:		
- interest received	<u>-</u>	<u>-</u>
Total revenue from non-operating activities	<u>-</u>	<u>-</u>
Total revenue from ordinary activities	<u><u>356,384</u></u>	<u><u>286,943</u></u>

Hilston & District Financial Services Limited
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2010

	2010	2009
	\$	\$
3. Expenses		
Employee benefits expense	187,948	177,995
- wages and salaries	22,813	16,963
- superannuation costs	<u>210,761</u>	<u>194,958</u>
Depreciation of non-current assets:		
- plant and equipment	5,575	6,216
Amortisation of non-current assets:		
- intangibles	<u>-</u>	<u>29,702</u>
Finance costs:		
- interest paid	27,226	14,377
Bad debts	14,350	2,208
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%	(14,269)	(30,056)
Add tax effect of:		
- Non-deductible expenses	3,443	11,689
<i>Current income tax benefit</i>	<u>(10,826)</u>	<u>(18,367)</u>
Income tax benefit	<u>(10,826)</u>	<u>(18,367)</u>
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>219,403</u>	<u>208,577</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>3,900</u>	<u>3,650</u>
6. Cash and Cash Equivalents		
Cash on hand	<u>200</u>	<u>200</u>

Hilston & District Financial Services Limited
ABN 44 107 725 977
Notes to the Financial Statements
for the year ended 30 June 2010

	2010		2009
	\$		\$
7. Receivables			
Prepayments	825		100
Rental bond	880		880
Trade debtors	32,390		31,912
	<u>34,095</u>		<u>32,892</u>

8. Property, Plant and Equipment

<i>Leasehold Improvements</i>			
At cost	46,981		46,981
Less accumulated depreciation	(2,217)		(1,069)
	<u>44,764</u>		<u>45,912</u>
<i>Plant and equipment</i>			
At cost	64,788		64,788
Less accumulated depreciation	(39,951)		(35,524)
	<u>24,837</u>		<u>29,264</u>
Total written down amount	<u>69,601</u>		<u>75,176</u>

Movements in carrying amounts

<i>Leasehold Improvements</i>			
Carrying amount at beginning of year	45,912		46,094
Additions	-		887
Disposals	-		-
Depreciation expense	(1,148)		(1,069)
Carrying amount at end of year	<u>44,764</u>		<u>45,912</u>

<i>Plant and equipment</i>			
Carrying amount at beginning of year	29,264		35,565
Additions	-		-
Disposals	-		(1,154)
Depreciation expense	(4,427)		(5,147)
Carrying amount at end of year	<u>24,837</u>		<u>29,264</u>

9. Intangible Assets

<i>Start up Costs</i>			
At cost	120,000		120,000
Less accumulated amortisation	(120,000)		(120,000)
	<u>-</u>		<u>-</u>
<i>Formation Expenses</i>			
At cost	28,508		28,508
Less accumulated amortisation	(28,508)		(28,508)
	<u>-</u>		<u>-</u>

Hillston & District Financial Services Limited
 ABN 44 107 725 977
 Notes to the Financial Statements
 for the year ended 30 June 2010

	2010	2009
	\$	\$
10. Payables		
Trade creditors	13,927	12,669
Other creditors and accruals	15,460	9,515
	<u>29,387</u>	<u>22,184</u>
11. Loans and Borrowings		
Bank overdraft	340,356	315,383
12. Provisions		
<i>Current</i>		
Annual leave	22,537	24,293
<i>Non-Current</i>		
Long service leave	12,772	-
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	(663,845)	(582,026)
Loss after income tax	(36,738)	(81,819)
Balance at the end of the financial year	<u>(700,583)</u>	<u>(663,845)</u>
15. Statement of Cash Flows		
(a) Cash and cash equivalents		
Cash assets	200	200
Bank overdraft	(340,356)	(315,383)
	<u>(340,156)</u>	<u>(315,183)</u>
(b) Reconciliation of loss after tax to net cash used in operating activities		
Loss after income tax	(36,738)	(81,819)
Non cash items		
- Depreciation	5,575	6,216
- Amortisation	-	29,702
Changes in assets and liabilities		
- (Increase)/decrease in receivables	(1,203)	(6,838)
- Increase/(decrease) in payables	7,203	321
- Increase/(decrease) in provisions	11,016	7,791
- (Increase)/decrease in deferred tax asset	(10,826)	(18,367)
Net cashflows used in operating activities	<u>(24,973)</u>	<u>(62,994)</u>

Hillston & District Financial Services Limited
 ABN 44 107 725 977
 Notes to the Financial Statements
 for the year ended 30 June 2010

16. Director and Related Party Disclosures

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

Keith Harvey
 Steve Tuckett
 Keith Horreman
 David Fensom
 Bruce McKenzie
 Graeme May
 Clifford Rose
 Peter Storrer
 Michael Brettschneider (appointed 25 January 2010)
 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

	2010	2009
Keith Harvey	10,000	10,000
Steve Tuckett	-	-
Keith Horreman	2,000	2,000
David Fensom	6,000	6,000
Bruce McKenzie	4,000	4,000
Graeme May	1,000	1,000
Clifford Rose	5,000	5,000
Peter Storrer	500	500
Michael Brettschneider (appointed 25 January 2010)	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>	Primary		Post <u>Employment</u> Superannuation	Total
	<u>Benefits</u> Salary & Fees	\$		
Steve Tuckett				
2010	68,729		6,511	75,240
2009	69,037		6,366	75,403

17. Subsequent Events

There have been no events after the end of the financial year 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 Limited
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Notes to the Financial Statements
for the year ended 30 June 2010

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. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the year.

21. Corporate Information

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

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

	2010	2009
22. 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	<u>(36,738)</u>	<u>(81,819)</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 Limited
ABN 44 107 725 977
Notes to the Financial Statements
For the year ended 30 June 2010

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

	<u>Carrying Amount</u>	
	<u>2010</u>	<u>2009</u>
	\$	\$
Cash assets	200	200
Receivables	34,095	32,892
	<u>34,295</u>	<u>33,092</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 (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

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

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

The Company has an established overdraft facility of \$375,000 with Bendigo and Adelaide Bank Ltd.

Hillston & District Financial Services Limited
 ABN 44 107 725 977
 Notes to the Financial Statements
 For the year ended 30 June 2010

23. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2010					
Payables	29,387	(29,387)	(29,387)	-	-
Loans and borrowings	340,356	(340,356)	(340,356)	-	-
30 June 2009	<u>369,743</u>	<u>(369,743)</u>	<u>(369,743)</u>	-	-
Payables	22,184	(22,184)	(22,184)	-	-
Loans and borrowings	315,838	(315,838)	(315,838)	-	-
	<u>338,022</u>	<u>(338,022)</u>	<u>(338,022)</u>	-	-

(c) Market risk

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

Interest Rate Risk

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

Sensitivity analysis

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

	<u>Carrying Amount</u> 2010	<u>Carrying Amount</u> 2009
Fixed rate instruments	\$	\$
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(340,356)	(315,838)
	<u>(340,356)</u>	<u>(315,838)</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

23. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

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

Hillston & District Financial Services Limited
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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Graeme May, Acting Chairman

Signed at Hillston, New South Wales on 24 September 2010.

Richmond Sinnott & Delahunty

Chartered Accountants



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

24 September 2010

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

Dear Directors

We have now completed our audit of the financial report of Hillston & District Financial Services Limited for year ended 30 June 2010. Subject to the Board of Directors adopting the financial report, we are in a position to issue an unqualified audit opinion on the company's financial report.

1. Overview of Audit Approach

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

2. Operations

2.1 Financial Performance

	30 June 2010 \$	30 June 2009 \$
Revenue from ordinary activities	356,384	286,943
Employee benefits expense	(210,761)	(194,958)
Charitable donations & sponsorship	(8,864)	(1,432)
Depreciation & amortisation expenses	(5,575)	(35,918)
Finance costs	(27,226)	(14,377)
Administration and other operating expenses	(151,522)	(140,444)
Loss before income tax	(47,564)	(100,186)
Income tax benefit	10,826	18,367
Loss after income tax	(36,738)	(81,819)

2.2 Financial Position

	30 June 2010 \$	30 June 2009 \$
Current assets	34,295	33,092
Non-current assets	289,004	283,753
Total assets	323,299	316,845
Total liabilities	405,052	361,860
Shareholders' equity	(81,753)	(45,015)

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 \$700,583 and net liabilities of \$81,753 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 \$301,156 exists.

3.2 Dividends

The Corporations Amendment (Corporate Reporting Reform) Act 2010 received Royal Assent on 28 June 2010. As part of these changes the existing 'profits' test included in section 254T of the Corporations Act 2001 has been replaced with a 'balance sheet solvency' test. In order for companies to pay dividends after 28 June 2010 the following must be met:

- company assets must exceed liabilities immediately before the dividend is declared and the excess must be sufficient for the payment of the dividend;
- the payment must be fair and reasonable to the company's shareholders as a whole; and
- the payment must not materially prejudice the company's ability to pay its creditors (i.e. consider section 588G requirements to prevent insolvent trading).

We recommend you consider these new requirements in relation to any future dividend payments.

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

24 September 2010

The Directors
Hillston & District Financial Services Limited
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 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott & Delahunty

Chartered Accountants



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

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Hillston & District Financial Services Limited, for the year ended 30 June 2010.

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

Audit approach

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

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

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

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

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the financial report of 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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richard Sumatt + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 24 September 2010