

Hillston & District  
Financial Services Limited

ABN 44 107 725 977

# annual report 2011

Hillston & District **Community Bank**<sup>®</sup> Branch

Lake Cargelligo Agency

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 6<sup>th</sup> ANNUAL GENERAL MEETING of HILLSTON & DISTRICT FINANCIAL SERVICES LIMITED will be held at the Hillston Ex-Servicemen's & Citizens Club on Wednesday 9<sup>th</sup> November 2011 commencing at 7.30 p.m.

**AGENDA**

**Present /Apologies**

**Minutes of Previous AGM**

27<sup>th</sup> October 2010

**Chairman's Report**

The Chairman, Mr G May, will present his report on the operations of the Company for the year ended 30 June 2011.

**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 2011 and Balance Sheet of the Company as at 30 June 2011.
2. The directors' declaration and report by auditors for the financial year ended 30 June 2011.
3. The directors' report for the financial year ended 30 June 2011.

**Election of Directors**

- a) Mr P Storrier and Mr J Fensom will retire in accordance with the provisions of the constitution and being eligible, offer themselves for re-election.  
Mr Keith Harvey will retire in accordance with the provisions of the constitution and will not be offering himself for re-election.
- b) Election of Directors (if required)

**General Business**

To transact any business that may be lawfully brought forward.

By Order of the Board



D J Fensom  
Secretary

Notes:

1. Mr P Storrier and Mr J Fensom will retire under section 62 of the constitution of Hillston & District Financial Services Limited and have indicated that they will offer themselves for re-election.

Mr Keith Harvey will retire in accordance with the provisions of the constitution and will not be offering himself for 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-SERVICES and CITIZENS CLUB on WEDNESDAY 27<sup>th</sup> OCTOBER 2010.

PRESENT.

As per meeting register.

APOLOGIES.

W. Younger, D. Shears, S. Fensom, D. Fensom. Resolved that apologies be accepted.

Minutes.

Resolved that minutes as circulated in meeting agenda be adopted.

Business Arising.

None.

Chairman's Report.

Chairman G. May in his report to the meeting advised that Bendigo Bank returns money to us every month which is to be used specifically for grants and sponsorships to non profit community organisations and that this year we have helped ten local groups with a total of \$10737-00. He also informed the meeting that a Bendigo Bank agency had just been opened in Lake Cargelligo under our sponsorship. Resolved that the Chairman's Report be accepted.

Manager's Report.

As circulated in meeting agenda. Resolved that Manager's Report as circulated be adopted.

Adoption of Accounts.

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

Election of Directors.

Directors M. Brettschneider, K. Horneman and S. Tuckett retired in accordance with the constitution and offered themselves for re-election. The three Directors were re-elected.

General Business.

A shareholder asked for more information on the Bank agency which just opened in Lake Cargelligo. The question was answered by Regional Manager T. Butt, who stated that it involved no cost to Hillston Community Bank but the business generated by it would be credited through our books.

A shareholder questioned why Hillston Community Bank is donating money to the community, but not giving any return to its shareholders. Regional Manager Butt answered, saying that this money is coming from Bendigo Bank specifically to be used in the community and the Community Bank, although running at a small profit for the past few months, does not have funds available for a dividend distribution.

In his closing comments; Ten years ago there were no Bendigo Banks or Community Banks in this part of NSW. There are now ten Banks and three Agencies employing sixty staff and three million dollars has gone back into the various communities over the ten years. He then wished us all the best for our future success.

Meeting closed at 8-15pm.

*Graeme May*

## Chairman's Report 2011

Ladies and Gentlemen:

I have much pleasure, on behalf of the Board of Directors, in presenting this Annual Report.

The year has certainly been a challenging one for all involved, from the Board, to Management, to our dedicated Staff, and Bendigo, who have sat down with us a number of times to bear the brunt of our frustrations at not being able to post some winners. The job was not made any easier with the tragic loss of our manager Steve. However, the past few months have seen some improvements in our position, and while these improvements have only been slight, they have been just the shot in the arm we needed to take up the slack in the reins and really commit to going forward.

The first "improvement" we had this year came in the form of a blessing from the weather Gods, when they decided to turn the tap back on again. After ten years of virtually no rain, six years of no river water for irrigation, cuts in the allocation of groundwater, Hillston and district people were wondering if we were ever going to get to have a crack again. But following great general rains, the land in the district has responded as only we in the bush know that it can, and it has rewarded us with a bountiful harvest, grass aplenty, and a river flowing once again. Following a successful wheat harvest in late 2010, the district cotton growers have just completed a record year, with ginning of this years crop expected to take until November to complete, providing a great boost to local job seekers and business's

The second "improvement" we had during the year, was the decision by the Boards of Coleambally Finance Group Ltd, and Hillston and District Financial Services Ltd, to get together and discuss the feasibility of a Partnership between the two Banking business's.

Our Board held an initial special meeting to start this on 24<sup>th</sup> September 2010, and it was to be the first of many such meetings to put together a new Partnership representing the interests of both parties, and giving both parties the chance to grow each business to exciting new levels.

It was certainly with much pleasure that I received the news on Wednesday 3<sup>rd</sup> August that Coleambally, on Tuesday 2<sup>nd</sup> August, had voted in favour of the Partnership, and then on Wednesday 3<sup>rd</sup> the Hillston meeting voted overwhelmingly in favour of the Partnership also.

Bendigo staff have provided us with an enormous amount of support and information in an effort to make this new Partnership a success, and I would like to take this opportunity to thank them on behalf of the Board. The Board is very confident that we can take this business to a new level, and we are very excited to be involved in what is a ground breaking venture for the Bendigo Banking Community.

Our acting manager Chris Noack continues to drive the business forward, and is being very ably assisted by our competent staff, Vicki, Julie, Charone and Kylie, who have reacted most favourably to the added responsibility Chris has given them.

We are continuing to advertise, within the banking community, and elsewhere, for a new permanent manager to replace Steve, but it would seem that people are reluctant to leave the comforts, pleasures, traffic, and wonders of the bigger places to come and enjoy life in the bush.

Hillston Community Bank has continued to support local events and groups during the past year, and hopefully with your support we can continue to do this. The success of the Bendigo Community System relies on the Community, and I am sure that we have now turned the corner in our efforts to make a much bigger impression in our local Community, and this will be especially so with the merger between Hillston and Coleambally producing a much stronger and more successful Community Banking Business

On behalf of the Board of Directors, I would like to thank you all for your support in the past, and hope we can string some better seasons together in the immediate future, enabling us all to grow together to create a better Community for the long term future.

Thank you

Peter J Storrier [ vice chairman ]

## SECRETARY'S REPORT AGM 2011.

With another AGM coming up, it signals the end of our seventh year in business and a fairly eventful year it has been, with our Board firstly considering the possibility of a merger with Coleambally Community Bank and then working towards implementing it .

It is a ground breaking project, being the first time a merger of two Community Banks has been organised, but we believe it opens up opportunities for both our Banks to expand and most importantly, should enable us to start paying long overdue dividends to our shareholders.

Unfortunately, during the year we have lost two long serving Directors and at our AGM we will be farewelling another one.

In January we reluctantly accepted the retirement of Mr. Bill Younger. Bill has been a very strong supporter of our Bank, firstly in it's inception stage and then later as a Director, travelling long distances to attend our meetings. We thank Bill for his support and wish him well in the future.

Then in March we lost another Director, with the transfer to Wagga of our Manager, Mr. Steve Tuckett. Steve was not only a long serving Director, but was also our Board Treasurer and he filled both roles very capably.

At our forthcoming AGM where Directors have to re nominate after every three year term of office, our inaugural chairman, Mr. Keith Harvey will not be standing for re election.

Keith was elected chairman of the Community Bank Steering Committee at it's inaugural meeting on 4<sup>th</sup> September 2002 and held this position until the Bank opened on 3<sup>rd</sup> September 2004. He then became Chairman of the Board of Directors and remained in the Chair until ill health caused him to relinquish this position in mid 2010. During his eight years as chairman of our enterprise Keith, with the assistance of his wife Doris, expended an enormous amount of time and considerable personal expenditure in helping to guide our Community Bank to where it is today. We thank Keith and Doris for their contribution towards providing Hillston with adequate banking services and wish them all the best.

Lake Cargelligo's Bendigo & Adelaide Bank Agency, which opened last year under our "umbrella" is progressing satisfactorily and should, in future years, help to strengthen our business.

I wish our shareholders all the best for the forthcoming year and please give our Bank all the business that you can,

Yours Sincerely,

*John Fensom (sec)*

BENDIGO & ADELAIDE BANK REPORT.

For the year ended 30<sup>th</sup> June 2011.

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

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

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

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

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

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

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

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

In May, Fitch Ratings upgraded Bendigo and Adelaide Bank's Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis. Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank (BEN) shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

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



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

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

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

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

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

**Russell Jenkins**  
**Executive Customer and Community**

## Managers Report 2011

It would seem that Your Community Bank has turned the corner after a, slow and at times, difficult start. During the 2011 financial year your bank grew by \$5,084,458. In the circumstances I believe this is a tremendous result. Due to the unexpected difficulty in attracting a Manager to Hillston, a very conservative growth budget of \$4,915,000 has been set. This will of course be adjusted should an appropriate Manager be appointed. The figures, at present indicate the business is on track to exceed this by a significant amount. At the end of August your Community Bank held business of \$36,145,659.

This banking business generated income of \$371,207. This was approximately \$50,000 below expectations, however expenses were well controlled. In fact they were held to approximately \$40,000 below budget. This helped achieve the end result of a Net Profit Before Tax of \$23,907.

We have been conservative with the income and expense forecasts for the current financial year and set a target very similar to the result that we are reporting on. Should we be able to appoint an appropriate Manager, the results would be expected to be significantly above the current forecast.

I would like to thank the staff, Vicki Kerr, Julie Barnett, Charone Moore and Kylie Caldwell. Kylie has only been with us for a short time. The staff are the face of the Bank and I commend them on their efforts during the year, in what have been difficult circumstances.

The success of the Community Bank, relies on the support of our customers and with your continued support I am confident that the results of your Community Bank will continue to improve dramatically over the next few years.

To those who are not yet customers but would like to be, give us a go and see how we compare.



Chris Noack  
Relieving Manager

**Hillston & District Financial Services Limited**

**Financial Statements**

**as at**

**30 June 2011**

**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 2011.

**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 (resigned 7 March 2011)  
Director & Treasurer  
Occupation: Bank Manager

Keith Horneman  
Director  
Occupation: Farmer

David Fensom  
Company Secretary  
Occupation: Farmer

Bruce McKenzie  
Director  
Occupation: Retired

Clifford Rose  
Director  
Occupation: Business Proprietor

Graeme May  
Chairman  
Occupation: Business Proprietor

William Younger (resigned 31 January 2011)  
Director  
Occupation: Farmer

Peter Storrier  
Director  
Occupation: Business Proprietor

Michael Brettschneider  
Director  
Occupation: Business Proprietor

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

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

**Principal activities**

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

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

**Review of Operations**

The profit/(loss) of the Company for the financial year after provision for income tax was \$21,463 (2010: (\$36,738)).

**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**

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

Colleambally Finance Group Limited is undertaking a due diligence with a view to merging with Hillston & District Financial Services Limited.

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

**Likely Developments**

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

**Remuneration Report**

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 (resigned 7 March 2011)			
2011	56,013	4,777	60,790
2010	68,729	6,511	75,240

**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:

<b>Director</b>	<b>Board Meetings #</b>
Keith Harvey	4 (13)
Steve Tuckett (resigned 7 March 2011)	7 (8)
Keith Horneman	10 (13)
David Fensom	12 (13)
Bruce McKenzie	8 (13)
Graeme May	13 (13)
Clifford Rose	9 (13)
Peter Storrier	13 (13)
Michael Brettschneider	12 (13)
William Younger (resigned 31 January 2011)	2 (2)

*# 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.

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

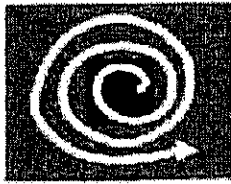
**Corporate Governance**

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**

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

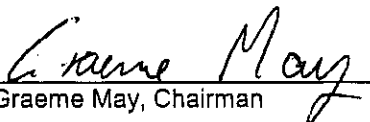
Chartered Accountants

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

**Warren Sinnott**  
**Partner**  
**Richmond Sinnott & Delahunty**  
**30-Sep-11**

Signed in accordance with a resolution of the Board of Directors at Hillston, New South Wales on 30 September 2011.

  
Graeme May, Chairman

**Hillston & District Financial Services Limited**  
**ABN 44 107 725 977**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
Revenue from continuing operations	2	371,207	356,384
Employee benefits expense	3	(178,749)	(210,761)
Charitable donations and sponsorship		(2,250)	(8,864)
Depreciation and amortisation expense	3	(4,637)	(5,575)
Finance costs	3	-	(27,226)
Other expenses		<u>(161,665)</u>	<u>(151,522)</u>
<b>Profit before income tax expense/(benefit)</b>		23,906	(47,564)
Income tax expense / (benefit)	4	<u>(2,443)</u>	<u>10,826</u>
<b>Profit after income tax expense / (benefit)</b>		21,463	(36,738)
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><u>21,463</u></u>	<u><u>(36,738)</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit/(loss) for the year	21	3.47	(5.94)
- diluted for profit/(loss) for the year	21	3.47	(5.94)

The accompanying notes form part of these financial statements



**Hillston & District Financial Services Limited**  
**ABN 44 107 725 977**  
**Statement of Financial Position**  
**As at 30 June 2011**

	<u>Notes</u>	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	6	200	200
Receivables	7	39,728	34,095
<b>Total Current Assets</b>		<u>39,928</u>	<u>34,295</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	67,572	69,601
Deferred tax assets	4	216,960	219,403
<b>Total Non-Current Assets</b>		<u>284,532</u>	<u>289,004</u>
<b>Total Assets</b>		<u>324,460</u>	<u>323,299</u>
<b>Current Liabilities</b>			
Payables	9	41,796	29,387
Loans and borrowings	10	323,691	340,356
Provisions	11	12,621	22,537
<b>Total Current Liabilities</b>		<u>378,108</u>	<u>392,280</u>
<b>Non-Current Liabilities</b>			
Provisions	11	6,642	12,772
<b>Total Non-Current Liabilities</b>		<u>6,642</u>	<u>12,772</u>
<b>Total Liabilities</b>		<u>384,750</u>	<u>405,052</u>
<b>Net Assets/(Liabilities)</b>		<u>(60,290)</u>	<u>(81,753)</u>
<b>Equity</b>			
Share capital	12	618,830	618,830
Accumulated losses	13	(679,120)	(700,583)
<b>Total Equity</b>		<u>(60,290)</u>	<u>(81,753)</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 2011**

	<u>Notes</u>	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		407,456	388,025
Cash payments in the course of operations		(388,183)	(385,772)
Interest paid		-	(27,226)
<b>Net cash flows from/(used in) operating activities</b>	14b	<u>19,273</u>	<u>(24,973)</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(2,608)	-
<b>Net cash flows used in investing activities</b>		<u>(2,608)</u>	<u>-</u>
<b>Net increase / (decrease) in cash held</b>		16,665	(24,973)
Cash and cash equivalents at start of year		(340,156)	(315,183)
<b>Cash and cash equivalents at end of year</b>	14a	<u><u>(323,491)</u></u>	<u><u>(340,156)</u></u>

The accompanying notes form part of these financial statements

**Hillston District Financial Services Limited**  
**ABN 44 107 725 977**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>SHARE CAPITAL</b>			
Balance at start of year		618,830	618,830
Issue of share capital		-	-
Share issue costs		-	-
<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		(700,583)	(663,845)
Profit/(Loss) after income tax		21,463	(36,738)
Dividends paid	19	-	-
<b>Balance at end of year</b>		<u><u>(679,120)</u></u>	<u><u>(700,583)</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 2011**

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

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

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

The financial statements were authorised for issue by the Directors on 30 September 2011.

**(b) Statement of compliance**

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

**(c) Significant accounting policies**

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

**Income tax**

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

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

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

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

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

**Hillston & District Financial Services Limited**  
**ABN 44 107 725 977**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**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.

**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.

**Loans and Borrowings**

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

**Hillston & District Financial Services Limited**  
**ABN 44 107 725 977**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

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

**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.

**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.

**Revenue**

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

**Hillston & District Financial Services Limited**  
**ABN 44 107 725 977**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

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

**Provisions**

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

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

**Share Capital**

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

**Comparative Figures**

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

**2. Revenue from continuing operations**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
- services commissions	371,207	356,384
	<u>371,207</u>	<u>356,384</u>

**3. Expenses**

Employee benefits expense		
- wages and salaries	158,690	187,948
- superannuation costs	20,059	22,813
	<u>178,749</u>	<u>210,761</u>
Depreciation of non-current assets:		
- plant and equipment	3,518	5,575
- leasehold improvements	1,119	
	<u>4,637</u>	<u>5,575</u>
Finance costs:		
- interest paid	-	27,226
Bad debts	12,218	14,350

**Hillston & District Financial Services Limited**  
**ABN 44 107 725 977**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

<b>4. Income Tax Expense</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	7,172	(14,269)
Add tax effect of:		
- Non-deductible expenses/(benefits)	(4,729)	3,443
<i>Current income tax expense/(benefit)</i>	<u>2,443</u>	<u>(10,826)</u>
Income tax expense/(benefit)	<u>2,443</u>	<u>(10,826)</u>
<b>Deferred tax assets</b>		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>216,960</u>	<u>219,403</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>3,900</u>	<u>3,900</u>
<b>6. Cash and Cash Equivalents</b>		
Cash on hand	<u>200</u>	<u>200</u>
<b>7. Receivables</b>		
Prepayments	3,639	825
Rental bond	880	880
Trade debtors	<u>35,209</u>	<u>32,390</u>
	<u>39,728</u>	<u>34,095</u>
<b>8. Property, Plant and Equipment</b>		
<i>Leasehold Improvements</i>		
At cost	46,981	46,981
Less accumulated depreciation	<u>(3,336)</u>	<u>(2,217)</u>
	<u>43,645</u>	<u>44,764</u>
<i>Plant and equipment</i>		
At cost	67,396	64,788
Less accumulated depreciation	<u>(43,469)</u>	<u>(39,951)</u>
	<u>23,927</u>	<u>24,837</u>
Total written down amount	<u>67,572</u>	<u>69,601</u>



Hillston & District Financial Services Limited  
 ABN 44 107 725 977  
 Notes to the Financial Statements  
 for the year ended 30 June 2011

8. Property, Plant and Equipment (continued)	2011	2010
	\$	\$
<b>Movements in carrying amounts</b>		
<i>Leasehold Improvements</i>		
Carrying amount at beginning of year	44,764	45,912
Additions	-	-
Disposals	-	-
Depreciation expense	(1,119)	(1,148)
Carrying amount at end of year	<u>43,645</u>	<u>44,764</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	24,837	29,264
Additions	2,608	-
Disposals	-	-
Depreciation expense	(3,518)	(4,427)
Carrying amount at end of year	<u>23,927</u>	<u>24,837</u>
<b>9. Payables</b>		
Trade creditors	24,368	13,927
Other creditors and accruals	17,428	15,460
	<u>41,796</u>	<u>29,387</u>
<b>10. Loans and Borrowings</b>		
Bank overdraft	<u>323,691</u>	<u>340,356</u>
<b>11. Provisions</b>		
<i>Current</i>		
Annual leave	<u>12,621</u>	<u>22,537</u>
<i>Non-Current</i>		
Long service leave	<u>6,642</u>	<u>12,772</u>
Total employee benefits	<u>19,263</u>	<u>35,309</u>
<b>Movement in employee benefits</b>		
Opening balance	35,309	24,293
Additional provisions recognised	13,749	12,772
Amounts utilised during the year	(29,795)	(1,756)
Closing balance	<u>19,263</u>	<u>35,309</u>

Hillston & District Financial Services Limited

ABN 44 107 725 977

Notes to the Financial Statements  
for the year ended 30 June 2011

12. Share Capital	2011	2010
	\$	\$
618,830 ordinary shares fully paid of \$1 each	<u>618,830</u>	<u>618,830</u>
<b>13. Accumulated Losses</b>		
Balance at the beginning of the financial year	(700,583)	(663,845)
Profit/(loss) after income tax	21,463	(36,738)
Balance at the end of the financial year	<u>(679,120)</u>	<u>(700,583)</u>
<b>14. Statement of Cash Flows</b>		
<b>(a) Cash and cash equivalents</b>		
Cash assets	200	200
Bank overdraft	(323,691)	(340,356)
	<u>(323,491)</u>	<u>(340,156)</u>
<b>(b) Reconciliation of profit/(loss) after tax to net cash used in operating activities</b>		
Profit/(loss) after income tax	21,463	(36,738)
Non cash items		
- Depreciation	4,637	5,575
Changes in assets and liabilities		
- (Increase)/decrease in receivables	(5,633)	(1,203)
- Increase/(decrease) in payables	12,409	7,203
- Increase/(decrease) in provisions	(16,046)	11,016
- (Increase)/decrease in deferred tax asset	2,443	(10,826)
Net cashflows used in operating activities	<u>19,273</u>	<u>(24,973)</u>

Hillston & District Financial Services Limited

ABN 44 107 725 977

Notes to the Financial Statements  
for the year ended 30 June 2011

**15. Director and Related Party Disclosures**

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

Keith Harvey  
Steve Tuckett (resigned 7 March 2011)  
Keith Horneman  
David Fensom  
Bruce McKenzie  
Graeme May  
Clifford Rose  
Peter Storrier  
Michael Brettschneider  
William Younger (resigned 31 January 2011)

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.

<b>Directors shareholdings</b>	<b>2011</b>	<b>2010</b>
Keith Harvey	10,000	10,000
Steve Tuckett (resigned 7 March 2011)	-	-
Keith Horneman	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 Storrier	500	500
Michael Brettschneider	2,000	2,000
William Younger (resigned 31 January 2011)	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 (resigned 7 March 2011)			
2011	56,013	4,777	60,790
2010	68,729	6,511	75,240

**16. Subsequent Events**

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

Colleambally Finance Group Limited is undertaking a due diligence with a view to merging with Hillston & District Financial Services Limited.

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

**17. Contingent Liabilities and Assets**

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

**Hillston & District Financial Services Limited**  
**ABN 44 107 725 977**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**18. 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.

**19. Dividends paid or provided for on ordinary shares**

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

**20. 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

	2011	2010
<b>21. Earnings per share</b>	<b>£</b>	<b>£</b>

Basic earnings per share amounts are calculated by dividing profit/(loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit/(loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax	<u>21,463</u>	<u>(36,738)</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 2011**

**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 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>	
	2011	2010
	\$	\$
Cash assets	200	200
Receivables	<u>39,728</u>	<u>34,095</u>
	<u>39,928</u>	<u>34,295</u>

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

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

**(b) Liquidity risk**

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

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

The Company has an established overdraft facility of \$350,000 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 2011**

**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 2011</b>					
Payables	41,796	(41,796)	(41,796)	-	-
Loans and borrowings	<u>323,691</u>	<u>(323,691)</u>	<u>(323,691)</u>	-	-
	<u>365,487</u>	<u>(365,487)</u>	<u>(365,487)</u>	-	-
<b>30 June 2010</b>					
Payables	29,387	(29,387)	(29,387)	-	-
Loans and borrowings	<u>340,356</u>	<u>(340,356)</u>	<u>(340,356)</u>	-	-
	<u>369,743</u>	<u>(369,743)</u>	<u>(369,743)</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>	
	2011 \$	2010 \$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	<u>-</u>	<u>-</u>
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	<u>(323,691)</u>	<u>(340,356)</u>
	<u>(323,691)</u>	<u>(340,356)</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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

**Hillston & District Financial Services Limited**  
**ABN 44 107 725 977**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2011**

**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 Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

**(e) Capital management**

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

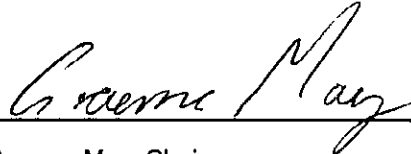
There were no changes in the Company's approach to capital management during the year.

**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 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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, Chairman

Signed at Hillston, New South Wales on 30 September 2011.



30 September 2011

Richmond Sinnott & Delahunty  
PO Box 30  
BENDIGO VIC 3552

***RE: HILLSTON & DISTRICT FINANCIAL SERVICES LIMITED AUDIT***

Dear Sirs

Pursuant to your request in and connection with your audit of Hillston & District Financial Services Limited ('the Company') for the year ended 30 June 2011, we submit the following representations after making appropriate enquiries and according to the best of our knowledge and belief.

**General**

1. All financial records and related data have been made available for inspection. All material transactions have been properly recorded in the accounting records underlying the financial statements.
2. There have been no irregularities involving management or employees that could have an effect on the financial statements.
3. Except as disclosed to you there have been no:
  - Violations or possible violations of laws or regulations, the effects of which should be considered for disclosure in the financial report or as a basis for recording a contingent loss; or
  - Communications from regulatory authorities concerning non-compliance with, or deficiencies in, financial reporting practices.
4. We have established and maintained an adequate internal control structure to facilitate the preparation of reliable financial statements.
5. We have no plans or intentions that may materially affect the carrying values, or classifications of assets and liabilities.

**Assets**

6. There were no deficiencies or encumbrances attaching to the title of the assets of the Company at balance date other than those reflected in the financial statements.

## **Liabilities**

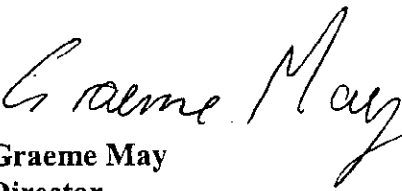
7. All liabilities which have arisen out of the activities of the Company to the end of the financial year have been included in the financial report.
8. There are no contractual commitments for capital expenditure at balance date not included in the financial statements.
9. There are no contingent liabilities, including guarantees, at balance date, which are not disclosed in the financial statements or the notes thereto.

## **Other**

10. No events have occurred subsequent to balance date, which would require adjustments to, or disclosure in the financial statements.
11. The Board has completed budgets and cashflow projections for the coming year and is satisfied that the Company will continue as a going concern.
12. Other than as detailed in the financial statements, the Company is not aware of any breach or non-compliance with the terms of any contractual arrangements, however caused, which could initiate claims on the Company and which would have a material effect on the financial statements.
14. The minutes of the Directors Meetings made available to you are a complete and authentic record of all meetings since 1 July 2010 to 30 June 2011.
15. All related party transactions (including number of shares held by Directors at 30 June 2011 and 30 June 2010) and related amounts receivable and payable have been properly recorded and disclosed in the financial statements.

We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the Company's financial statements and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

For and on behalf of the Board

  
**Graeme May**  
**Director**



# Richmond Sinnott & Delahunty

Chartered Accountants

30 September 2011

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 2011. 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 2011	30 June 2010
	\$	\$
Revenue from ordinary activities	371,207	356,384
Employee benefits expense	(178,749)	(210,761)
Charitable donations & sponsorship	(2,250)	(8,864)
Depreciation & amortisation expenses	(4,637)	(5,575)
Finance costs	-	(27,226)
Administration and other operating expenses	(161,665)	(151,522)
Loss before income tax	23,906	(47,564)
Income tax benefit	(2,443)	10,826
Loss after income tax	21,463	(36,738)

### 2.2 Financial Position

	30 June 2011	30 June 2010
	\$	\$
Current assets	39,928	34,295
Non-current assets	284,532	289,004
Total assets	324,460	323,299
Total liabilities	384,750	405,052
Shareholders' equity	(60,290)	(81,753)

### **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 Outstanding Liability**

It was identified during the review of Hillston & District Financial Services Limited's liabilities, there was one instance where the employee leave liability was not paid to Bendigo and Adelaide Bank Limited in a timely manner. Although the amount is correctly disclosed as an amount due and payable, it is the responsibility of the Company to ensure the amount is cleared within an appropriate timeframe. We recommend that the leave liability be paid to Bendigo and Adelaide Bank as soon as possible.

#### **3.2 Oncost Calculation**

Whilst reviewing employee entitlements, we noted that the oncost percentage used in 2011 was quite different to that used in 2010. Through discussions it was identified that the difference related to an error in the input of the date and percentage for workcover. Although the variance identified is not material, and therefore not required to be amended, we recommend that in future periods the percentages utilized are consistent with prior year and are reviewed for accuracy.

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

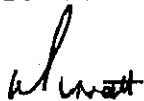
There are no material audit differences that have not been included in the financial report for Hillston & District Financial Services Limited.

### **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

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

**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 2011.

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 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 30 September 2011