Hillston & District Financial Services Limited

2012 Annual Report

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Directors Report

The directors of Hillston & District Financial Services Ltd at any time during, or since the end, of the financial year were;

Director	Position & Qualifications	Appointed	Ceased
Graeme May (Chairperson)	Non-executive director Local small business operator	23/01/2004	
David Fensom (Secretary)	Non-executive director Local primary producer	23/01/2004	
Bruce McKenzie	Non-executive director Retired	23/01/2004	29/06/2012
Keith Harvey	Non-executive director Retired	23/01/2004	09/11/2011
Keith Horneman	Non-executive director Local primary producer	23/01/2004	
Clifford Rose	Non-executive director Local small business owner /operator	29/05/2006	
Peter Storrier	Non-executive director Local small business owner/operator	21/11/2007	
Michael Brettschneider	Non-executive director Local small business owner/operator	25/01/2010	
Sally Redpath	Non-executive director Local small business owner/operator	30/04/2012	
Cassandra Sheridan	Non-executive director	29/06/2012	

No directors have material interests in contracts or proposed contracts with Hillston & District Financial Services Ltd.

1. Company Secretary

Mr David Fensom has held the role of company secretary since April 5, 2004.

2. Directors Meetings

The number of meeting each director was eligible to attend, and the number attended are;

Director	Ordinary Meetings	
	Attended	Eligible to Attend
Graeme May (Chairperson)	12	17
David Fensom	15	17
Bruce McKenzie	10	17
Keith Harvey	3	4
Keith Horneman	13	17
Clifford Rose	15	17
Peter Storrier	14	17
Michael Brettschneider	14	17
Sally Redpath	2	3
Cassandra Sheridan	1	1

3. Corporate Governance Statement

The primary role of the board is the protection and enhancement of long-term shareholder value.

To achieve this a board is responsible for overall corporate governance, including;

- the strategic direction of the company,
- approving and monitoring capital expenditure,
- setting remuneration, appoint, removing, and creating succession policies for directors and senior executives,
- establishing and monitoring the achievement of management's goals,
- ensuring the integrity of risk management, internal control, legal compliance, and management information systems, and
- Approving and monitoring financial and other reporting.

Responsibility for day-to-day administration and operations is delegated to the local managers of the business.

The board currently holds regular monthly meeting, along with strategy and extraordinary meetings as may be necessary to address specific issues.

The agenda is set in consultation with the chairperson, local managers, and company secretary. Standing items include the manager's report, financial reports, community reports, governance matters, and compliance. Papers are circulated in advance of the meeting.

The board is primarily made of up non-executive directors with a strong knowledge of the market in which the company operates. Members may be appointed that do not have extensive local market knowledge because of specialised skills in areas that support the governance of the company.

4. Remuneration Report

Key management personnel have authority and responsibility for planning, directing, and controlling the activities of Hillston & District Financial Services Ltd.

Key management personnel include in the branch managers and directors. However, non-executive directors have no role in the day-to-day operation of the business.

Compensation is designed to attract suitably qualified and experienced executives & directors. Compensation is set in consultation with Bending & Adelaide Bank.

Other than the remuneration detailed below, no director has received, of is entitled to receive, any benefit from any contracts made with the company or its controlled entities, other than for the provision of goods and services on a commercial, arm's length basis.

	Primary Benefits		Post-Employment Super		Total	
	2011	2012	2011	2012	2011	2012
* Executive Remuneration	56,013	20,313	4,777	1,744	60,790	22,057
Directors	-	-	-	-	-	-

* Executive remuneration in 2011 relates to Steve Tuckett, who resigned in March 2011. No manager was employed until the appointment of Paul Lenon on March 12, 2012.

There was no remuneration in the form of options or equity rights.

5. Principal Activities

The principal activities of Hillston & District Financial Services Limited are the operation of a Bendigo Community Bank franchise.

In October 2011, after consultation with shareholders, the operations of Hillston & District Financial Services Limited were merged with Coleambally Finance Group Ltd to form a joint venture partnership known as Western Riverina Community Financial Services.

The partnership if governed by Western Riverina Community Financial Services Pty Ltd. Each joint venture party has a 50% shareholding in Western Riverina Community Financial Services Pty Ltd, providing for joint control of the merged operations.

At the date of reporting employees had not yet transferred the reporting entity.

6. Dividends

No dividend has been recommended for the year ended June 30, 2012. See the capital management note to the financial statements for more information on policy & procedure regarding dividends

7. Significant changes in the State of Affairs

On October 1 2011 Hillston & District Financial Services merged operations with Coleambally Finance Group, forming the Western Riverina Community Financial Services partnership.

The partnership is managed by a jointly controlled company, Western Riverina Community Financial Services Pty Ltd.

As a consequence of the requirement to prepare General Purpose financial reports under Corporations Law, and in keeping with the applicable Accounting Standards, Hillston & Districts Financial Services interest in 40% of the assets, liabilities, income, and expenditure of the partnership are brought in on each line of the Financial Reports.

The notes to the Financial Reports provide more detail regarding the overall impact and contribution of the Western Riverina Community Financial Services partnership on the position and performance of Hillston.

8. Events Subsequent to Reporting Date

Employment of Hillston & District Financial Services Ltd bank staff will transfer to the Western Riverina Community Financial Services partnership during the 2013 financial year.

9. Likely Developments

There are no known significant changes, opportunities, or adverse developments, likely to occur in the foreseeable future.

10. Directors Interests

Each director's interest in shares, debentures, registered schemes, and rights or options at the date of reporting is as follows:

Director	2012		2011	
	Ordinary Shares	Other Securities	Ordinary Shares	Other Securities
Graeme May	4,500	-	1,000	-
David Fensom	6,000	-	6,000	-
Bruce McKenzie	4,000	-	4,000	-
Keith Harvey	9,000	-	10,000	-
Keith Horneman	2,000	-	2,000	-
Clifford Rose	5,500	-	5,000	-
Peter Storrier	2,000	-	500	-
Michael Brettschneider	2,000	-	2,000	-
Sally Redpath	500	-	500	-
Cassandra Sheridan	1,000	-	1,000	-

11. Indemnification & Insurance of Officers& Auditors

The company has agreed to indemnify each officer, director, secretary, or employee out of the assets of the company, to the relevant extent, against any liabilities arising out of the discharge of their duties.

Officers, directors, the secretary, or employees are not indemnified where the liability arises from conduct involving dishonest, negligence, breach of duty, or lack of good faith.

The company had officers insurance, for the benefit of the officers, against any liability incurred, including legal costs, that arises from the conduct of the business of the company or arising from the discharging of the officers' duties.

12. Auditor Independence Declaration

The auditor's independence declaration for the year ended June 30, 2012 has been received and can be found on page 6 of this report.

This report is made with a resolution of the directors:

Graeme May
Chairperson

Dated at Hillston this 3rd of April 2013

Consolidated Statement of Comprehensive Income
For the year ended June 30, 2012

	Notes	2012	2011
		$	$
Revenue from ordinary activities	2	630,315	371,207
Interest received		5,504	
Employee benefits expense	3	(397,364)	(178,749)
Depreciation & amortisation	3	(10,288)	(4,637)
Finance costs	3	(1,796)	-
Other expenses from ordinary activities		(170,004)	(161,665)
Profit (Loss) before income tax expense		56,367	26,156
Charitable donations & sponsorship		(150)	(2,250)
Income tax expense	4	(17,893)	(2,443)
Profit (loss) after income tax expense		38,324	21,463
Other comprehensive income		-	-
Total comprehensive income		38,324	21,463
Earnings per share (cents per share)		6.19	3.47
Basic profit		6.19	3.47
Diluted profit			

Consolidated Statement of Financial Position
As at June 30, 2012

	Notes	2012 $	2011 $
ASSETS			
Current Assets			
Cash & cash equivalents	6	132,575	200
Receivables	7	91,389	39,728
Other			
Total Current Assets		223,964	39,928
Non-Current Assets			
Property, plant & equipment	9	120,476	67,572
Deferred tax asset	4	199,066	216,960
Investments	8	12,745	-
Total Non-Current Assets		332,287	284,532
Total Assets		556,251	324,460
LIABILITIES			
Current Liabilities			
Payables	10	104,340	41,270
Loans & borrowings	11	244,479	323,691
Western Riverina Community Financial Services		182,343	-
Income tax payable		-	-
Provisions	12	15,837	12,621
Total Current Liabilities		546,999	378,108
Non-Current Liabilities			
Loans & borrowings	11	22,888	-
Provisions	12	8,330	6,642
Total Non-Current Liabilities		31,218	6,642
Total Liabilities		578,217	384,750
Net Assets (Liabilities)		(21,966)	(60,290)
Equity			
Issued capital	13	618,830	618,830
Retained earnings (accumulated losses)	14	(640,796)	(679,120)
Total Equity		(21,966)	(60,290)

Statement of Changes in Equity
As at June 30, 2012

	Notes	2012 $	2011 $
SHARE CAPITAL			
Balance at the start of the year		618,830	618,830
Issue of share capital		-	-
Share issue costs		-	-
Balance at the end of the year		618,830	618,830
ACCUMULATED LOSSES			
Balance at the start of the year		(679,120)	(700,583)
Profit (Loss) after income tax		38,324	21,463
Dividends Paid	15	-	-
Accumulated losses at the end of the year		(640,796)	(679,120)

Condensed Statement of Cash Flows
For the year ended June 30, 2012

	Notes	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		578,338	407,456
Cash payments in the course of operations		(499,754)	(388,183)
Interest paid		(1,796)	-
Interest received		5,504	-
Income tax paid		-	-
Net cash flows from (used in) operations	16b	82,292	19,273
CASH FLOWS FROM INVESTING ACTIVITIES			
Western Riverina Community Financial Services		130,853	-
Payments for property, plant & equipment		-	(2,608)
Net cash flow from (used in) investing activities		130,853	(2,608)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayments of borrowings		-	-
Dividends paid		-	-
Net cash flows from (used in) financing activities		-	-
Net increase (decrease) in cash held		213,145	16,665
Cash & cash equivalents at the start of the period		(323,491)	(340,156)
Cash & cash equivalents at the end of the period	16a	(110,346)	(323,491)

Notes to the Financial Statements

1. Basis of Preparation

Hillston & District Financial Services Limited ('HDFS') was incorporated in Australian and remains an Australian resident company. The Financial statements are presented in Australian dollars.

The principle operations since incorporation have been the provision of community banking services under franchise agreements with the Bendigo Bank.

On October 1, 2001, Hillston & District Financial Services Ltd, along with Coleambally Finance Group Ltd, formed the jointly controlled partnership Western Riverina Community Financial Services (WRCFS). Hillston & District Financial Services Ltd interest in the partnership is 40%. This interest is incorporated into the financial statements using the proportionate consolidation method.

The financial statements have been prepared on an accruals basis, based on historical cost. Accruals based accounting means that income is reported when earned and expenses when incurred. There is no adjustment, unless stated, for the changing value of money or valuation of non-current assets.

As a public company the financial reports must be prepared on a general purpose basis in accordance with Australian Accounting Standards.

The preparation of financial statements at times require judgements, estimates, and assumptions that may affect the application of accounting policies. It is possible, therefore, that actual results may vary from the estimates and judgements applied.

The financial statements were authorised for issue by the directors on March 5, 2013.

a) Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that Hillston & District Financial Services Limited will be able to meet the mandatory requirements of banking facilities and all other payment obligations as and when they fall due.

The net profit for the year, after tax, of all operations was $38,324.

The net assets of the entity have shown a marked improvement. This relates primarily to the transfer of liabilities to Western Riverina Community Financial Services partnership, and the subsequent interest of 40% in that entity, as set out by the partnership agreement.

To date there has been no transfer of profits from the partnership and these are included in Hillston and District Financials Services Ltd equity in the partners. The current equity position of

Hillston in this partnership is negative, due to the transfer of Hillston & District Financial Services net liabilities to the partnership.

Hillston & District Financial Services Ltd most significant asset is the income tax benefit resulting from accrued losses. Any other assets that are unique to Hillston & District Financial Services Ltd, are offset almost entirely by accrued liabilities unique to Hillston, primarily being employee entitlements and related taxation obligations not transferred to the partnership (at reporting date).

The directors and management acknowledge that uncertainty exists regarding the ability of the joint venture operation, of which HDFS is a partner and shareholder, to meet the normal commercial requirements of its finance, however the management and directors believe there are sufficient resources to meet operational requirements for the foreseeable future.

The going concern assumption is therefore based on the ongoing good will and support of the primary lender, Bendigo and Adelaide Bank, for the joint operation through which the community bank franchise is now operated.

The directors believe that this support will be ongoing and on this basis affirm the going concern basis for preparation of the financial reports.

Directors and management further believe that the joint venture operation will provide opportunities to expand the business customer and lending portfolio base, driving an increase in turnover and profits, and ensuring the future liquidity of the entity.

b) Statement of Compliance

This financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards as adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report of the company complies with International Financial Reporting Standards as interpretations adopted by the International Accounting Standards Board.

Australian Accounting Standards that have been recently issues 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

Following is a summary of the material accounting policies adopted. The polices have been applied consistently and are consistent with those applied in the June 30, 2011 statements.

Income tax

Deferred income tax is provided for on all temporary differences, between the tax base of assets and liabilities and their financial reporting carrying amount, at the reporting date.

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, and to the extent that it is probable that taxable profit will be available that will offset the carried forward deferred tax amounts.

The carrying amount of deferred income tax asset is reviewed at each reporting date and reduced if it is no longer likely that sufficient taxable profit will be generated to allow for all, or part, of the deferred income tax asset to be utilised.

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

Property, Plant & Equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and 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 of Plant & Equipment

The carrying values of plant & equipment are reviewed for impairment when events of changes in the circumstances indicate the carrying value may not be recoverable.

If any indicators exist, and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating units are written down to their recoverable amount.

The recoverable amount of plant & equipment is the greater of;

- Fair value less costs to sell, or
- 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 risks specific to the asset.

Revaluations of Land & Buildings

Following initial recognition at cost, land & 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, on the valuation date.

Recoverable Amounts of Assets

At each reporting date the company assess whether there is any individuation that an asset is impaired.

Where an indicator of impairment exists, the company make a formal estimate of the recoverable amount. If the carrying amount exceeds the recoverable amount the asset is considered imparted and is written down to its recoverable amount.

Loans & Borrowings

All loans are measured at the principal amount.

Interest is recognised as an expense as it accrues.

Goods & Services Tax

Revenues, expenses, and assets are recognised net of the amount of goods & 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 acquisition of the asset or part of the expense.

Receivables & 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. Operating cash flows are included in the statement of cash flows on a gross basis.

The GST component of cash flows arising from investing and financing activities which is recoverable, or payable, to the taxation authority, are classified as operating cash flows.

Employee Benefits

The provision for employee benefits to wages, salaries, and annual leave represents that amount for which the company has a present obligation to pay because of the employee's service to reporting date.

The provision is calculated on undiscounted amounts, based on wages & salary rates expected to be paid, and includes related on costs.

The company contributes to a defined contribution plan for superannuation. Superannuation expenses are reported 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, in bank accounts, and investments in money market instruments, net of any outstanding bank overdrafts.

Receivables & Payables

Receivables & payables are non-interest bearing, and generally on payment terms of 30-90 days.

Receivables are recognised and carried at original invoices amount less provisions for any uncollected debts.

Liabilities for trade creditors and other amounts are carried the fair value of the consideration to be paid in the future for goods and services received, whether or not billed by the supplier.

Revenue

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

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 when:

- A past transaction or other event that involves the other entity has occurred, resulting in
- It being probable that a future sacrifice of economic benefits will be required, and
- A reliable estimate of the amount of the obligation can be made.

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 for the share.

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.

Critical Accounting Estimates & Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and judgements that have a significant risk of causing material adjustments to the carrying value of assets and liabilities are as follows:

Estimation of useful lives of assets

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

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

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

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument.

For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit and loss immediately.

Classification and subsequent measurement

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

Where available quoted prices in an active market are used to determine fair value. In other circumstances valuation techniques are adopted.

Amortised costs are calculated as the amount which the financial asset or financial liability is measures at initial recognition less principle repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Loans & receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Financial liabilities are non-derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period the company assesses whether there is objective evidence that a financial assets has been impaired.

A financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset.

In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

2. Revenue from Continuing Operations

	2012 $	2011 $
Operating Activities		
- Services commissions	627,260	371,207
- Other income	3,055	-
	630,315	371,207

3. Expenses

	2012 $	2011 $
Employee Benefits Expense		
- Wages & Salary	203,767	158,690
- Superannuation Costs	19,844	20,059
- Other Allowances & Payments	4,371	-
- Western Riverina Community Financial Services	169,382	-
	397,364	178,749
Depreciation of Non-Current Assets		
- Plant & Equipment	10,288	3,518
- Leasehold Improvements	-	1,119
	10,288	4,637
Finance Costs		
- Interest Paid	1,796	-
	1,796	-
Bad Debts Written Off (Recovered)	(10,338)	12,218

4. Income Tax Expense

The prima facie tax on the profit/(loss), before income tax, is reconciled to the actual income tax expense as follows;

	2012 $	2011 $
Prima Facie tax on Profit/Loss at 30%	16,865	7,172
Plus tax effect of;		
- Accrued expenses paid	(443)	(4,729)
- Non-deductible expenses	1,471	-
Income Tax Expense / (Benefit)	17,893	2,443

Deferred Tax Asset

The future income tax benefit from tax losses are recognised at reporting date as it is considered probable that the benefit will be recognised.

	2012 $	2011 $
Future Income Tax Benefit	199,066	216,960

5. Auditors Remuneration

Amounts received or due & receivable by Richmond, Sinnott & Delahunty for;

	2012 $	2011 $
Audit or review of the financial report of the company	3,900	3,900

6. Cash & Cash Equivalents

	2012 $	2011 $
Cash on Hand	-	200
Cash on Hand (Western Riverina Community Financial Services)	80	-
Term Deposits (Western Riverina Community Financial Services)	132,495	-
	132,575	200

7. Receivables

	2012 $	2011 $
Prepayments	-	3,639
Rental Bond	-	880
Trade Debtors	40,864	35,209
Prepayments (Western Riverina Community Financial Services)	4,590	-
Rental Bond (Western Riverina Community Financial Services)	352	-
Trade Debtors (Western Riverina Community Financial Services)	45,583	-
	91,389	39,728

8. Investments

	2012 $	2011 $
Listed Shares at market value (Western Riverina Community Financial Services)	12,745	-
	12,745	-

Movements in Carrying Amounts

	2012	2011
Carrying amount at the beginning of the year	-	-
- Additions / Purchases – interest in WRCFS (at cost)	18,596	-
- Revaluation to market - decrement	(5,851)	-
Carrying Amount at the end of the year	12,745	-

9. Property, Plant & Equipment

	2012 $	2011 $
Leasehold Improvements		
- At Cost	-	46,981
- Less Accumulated Depreciation	-	(3,336)
	-	43,645
Plant & Equipment		
- At Cost	-	67,396
- Less Accumulated Depreciation	-	(43,469)
	-	23,927
Property – 1 Brolga Place, Coleambally (Western Riverina Community Financial Services)	60,000	-
Leasehold Improvements (Western Riverina Community Financial Services)		
- At Cost	18,792	-
- Less Accumulated Depreciation	(1,878)	-
	16,914	-
Plant & Equipment (Western Riverina Community Financial Services)		
- At Cost	87,392	-
- Less Accumulated Depreciation	(53,619)	-
	33,773	-
Motor Vehicles (Western Riverina Community Financial Services)		
- At Cost	34,500	-
- Less Accumulated Depreciation	(24,711)	-
	9,789	-
Total Written Down Amount	120,476	67,572

Property, Plant & Equipment (continued)

Movements in Carrying Amounts

	2012 $	2011 $
Leasehold Improvements		
Carrying amount at the beginning of the year	43,645	44,764
- Additions / Purchases	-	-
- Depreciation Expense	(276)	(1,119)
- Disposals – contribution to WRCFS	(43,369)	-
Carrying Amount at the end of the year	-	43,645
Plant & Equipment		
Carrying amount at the beginning of the year	23,927	24,837
- Additions / Purchases	2,409	2,608
- Depreciation Expense	(837)	(3,518)
- Disposals / Sales – contribution to WRCFS	(25,499)	-
Carrying Amount at the end of the year	-	23,927
Property – 1 Brogla Place, Coleambally		
(Western Riverina Community Financial Services)		
Land - Carrying amount at the beginning of the year	-	-
- Additions / Purchases – interest in WRCFS	16,000	-
- Disposals	-	-
Land - Carrying Amount at the end of the year	16,000	-
Building - Carrying amount at the beginning of the year	-	-
- Additions / Purchases - interest in WRCFS (at market	44,972	-
- Disposals	-	-
- Revaluation decrement	(972)	
- Depreciation Expense	-	-
Building - Carrying Amount at the end of the year	44,000	-
Leasehold Improvements		
(Western Riverina Community Financial Services)		
Carrying amount at the beginning of the year	-	-
- Additions / Purchases at Cost – interest in WRCFS	18,792	-
- Less Accumulated Depreciation – interest in WRCFS	(1,444)	
- Disposals	-	-
- Depreciation Expense	(434)	-
Carrying Amount at the end of the year	16,914	-
Plant & Equipment		
(Western Riverina Community Financial Services)		
Carrying amount at the beginning of the year	-	-
- Additions / Purchases – interest in WRCFS	87,392	-
- Less Accumulated Depreciation – interest in WRCFS	(48,413)	
- Disposals	-	-
- Depreciation Expense	(5,206)	-
Carrying Amount at the end of the year	33,773	-

Motor Vehicles		
(Western Riverina Community Financial Services)		
Carrying amount at the beginning of the year	-	-
- Additions / Purchases – interest in WRCFS	34,500	-
- Less Accumulated Depreciation – interest in WRCFS	(21,176)	
- Disposals	-	-
- Depreciation Expense	(3,535)	-
Carrying Amount at the end of the year	9,789	-

10. Payables

	2012 $	2011 $
Trade Creditors	-	24,368
Other Creditors & Accruals	42,096	17,428
Trade Creditors (Western Riverina Community Financial Services)	20,717	-
Other Creditors & Accruals (Western Riverina Community Financial Services)	41,527	-
	104,340	41,796

11. Loans & Borrowings

	2012 $	2011 $
Current		
Bank Overdraft	-	340,356
Bank Overdraft (Western Riverina Community Financial Services)	242,920	-
Motor Vehicle Finance (Western Riverina Community Financial Services)	1,559	-
	244,479	340,356
Non Current		
Term Loan (Western Riverina Community Financial Services)	22,888	-
	22,888	-

12. Provisions for Employee Benefits

	2012 $	2011 $
Current		
- Annual Leave	15,837	12,621
Non-Current		
- Long Service Leave	8,330	6,642
Total Employee Benefits	24,167	19,263

Movements in Employee Benefits

	2012	2011
	$	$
Opening Balance	19,263	35,309
- Additional provisions recognised	17,585	13,749
- Amounts utilised by employees during the year	(12,681)	(29,795)
Closing Balance	24,167	19,263

13. Share Capital

	2012	2011
	$	$
618,830 Ordinary Shares fully paid at $1 each	618,830	618,830

14. Retained Earnings / Accumulated (Losses)

	2012	2011
	$	$
Balance at the beginning of the reporting period	(679,120)	(700,583)
- Profit / (Loss) after income tax	38,324	21,463
Balance at the end of the reporting period	(640,796)	(679,120)

15. Dividends

No dividend has been recommended for the year ended June 30, 2012. See the capital management note to the financial statements for more information on policy & procedure regarding dividends

16. Statement of Cash Flows

(a) Cash & cash equivalents

	2012 $	2011 $
Cash Assets	-	200
Bank Overdraft	-	(323,691)
Cash Assets (Western Riverina Community Financial Services)	132,575	-
Bank Overdraft (Western Riverina Community Financial Services)	(242,921)	-
	(110,346)	(323,491)

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

	2012 $	2011 $
Profit / (Loss) after income tax	38,324	21,463
Adjustment for non-cash expenses		
- Depreciation	10,288	4,637
Changes in assets & liabilities		
- (Increase)/decrease in receivables	(51,662)	(5,633)
- Increase/(decrease) in payables	62,545	12,409
- Increase/(decreased in provisions	4903	(16,046)
- (Increase)/decrease in deferred tax asset	17,893	2,443
Net cash flows from operating activities	82,291	19,273

17. Director & Related Party Disclosures

Directors holding office during the financial year and their related interests in shares, debentures, registered schemes, and rights or options at the date of reporting is as follows:

Director	2012		2011	
	Ordinary Shares	Other Securities	Ordinary Shares	Other Securities
Graeme May	4,500	-	1,000	-
David Fensom	6,000	-	6,000	-
Bruce McKenzie	4,000	-	4,000	-
Keith Harvey	9,000	-	10,000	-
Keith Horneman	2,000	-	2,000	-
Clifford Rose	5,500	-	5,000	-
Peter Storrier	2,000	-	500	-
Michael Brettschneider	2,000	-	2,000	-
Sally Redpath	500	-	500	-
Cassandra Sheridan	1,000	-	1,000	-

Director & Executive Remuneration

Other than the remuneration detailed below, no director has received, of is entitled to receive, any benefit from any contracts made with the company or its controlled entities, other than for the provision of goods and services on a commercial, arm's length basis.

	Primary Benefits		Post-Employment Super		Total	
	2011	2012	2011	2012	2011	2012
Executive Remuneration*	56,013	20,313	4,777	1,744	60,790	22,057
Directors	-	-	-	-	-	-

* Executive remuneration in 2011 relates to Steve Tuckett, who resigned in March 2011. No manager was employed until the appointment of Paul Lenon on March 12, 2012.

There was no remuneration in the form of options or equity rights.

18. Events After Reporting Date

Continuing volatility in world financial markets may impact on investment earnings and finance costs in 2012-13. The company maintains a conservative investment strategy to manage exposure to market volatility.

19. Contingent Liabilities

There were no contingent assets or liabilities that materially affect the financial statements.

20. Operating Segments

The economic activities of the company, since October 1 2011, have been carried out as partner in the Western Riverina Community Financial Services partnership.

Prior to joining the partnership all activities were carried out in the Hillston region of New South Wales.

Economic activities since October 1 2011 are carried out primarily in the Hillston and Coleambally regions of New South Wales.

Hillston & District Financial Services Ltd, in conjunction with Coleambally Finance Group Ltd, jointly control and operate the Western Riverina Community Financial Services partnership. The Hillston interest of 40% is incorporated into the financial statements using the proportionate consolidation method.

The aggregate amounts relating to the partnership are as follows:

	2012 $	2011 $
Current Assets	183,100	-
Non Current Assets	133,221	-
Total Assets	316,321	-
Current Liabilities	(306,724)	-
Non-Current Liabilities	(22,888)	-
Total Liabilities	(329,612)	-
Income	365,583	-
Expenses	(300,430)	-

21. Earnings per Share

	2012 $	2011 $
Basic Earnings^	6.19	3.47
Diluted Earnings~	6.19	3.47
Information used in earnings calculations		
- Profit/(loss) after income tax	38,324	21,463
- Weighted average number of ordinary shares	618,830	618,830

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

~ Diluted earnings per share are calculated as for basic earnings per share, but adjusted for the effects of dilutive options or preference shares.

22. Financial Risk Management

The use of financial instruments exposures the company to credit risk, liquidity risk, and market risk.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework.

Following is information regarding

- 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.

Credit risk

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

The maximum exposure to credit risk at reporting date is the carrying amount of these 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:

	2012 $	2011 $
Cash Assets		200
Receivables	40,863	39,728
Cash Assets (Western Riverina Community Financial Services)	132,575	-
Receivables (Western Riverina Community Financial Services)	50,526	-

The company's expires to credit risk is limited to Australia, the majority of receivables are due from Bendigo & Adelaide Bank Ltd.

None of the receivable assets of the company are past due (2011 also nil past due), and the company believes there is no impairment allowance required, based on past history.

The company limits exposure to credit risk by only investing in securities with Bendigo & Adelaide Bank Ltd.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet it financial obligations as they fall due.

Liquidity management is carried out within guidelines set by the board.

The company ensure it will have enough liquidity to meet its liabilities when due under both normal and adverse conditions by ensuring sufficient cash is on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Following are estimated contractual maturities of financial liabilities, including estimated interest payments.

30 June 2012	Carrying amount	Contractual cash flow	1 year or less	1 year to 5 years	More than 5 years
Financial Liabilities due for payment					
Loans & borrowings	-	-	-	-	-
Payables					
(Western Riverina Community Financial Services)	(104,340)	(104,340)	(104,340)	-	-
Loans & borrowings					
(Western Riverina Community Financial Services)	(267,368)	(267,368)	(244,480)	(22,888)	-
	(371,707)	(371,707)	(348,820)	(22,888)	-

30 June 2012	Carrying amount	Contractual cash flow	1 year or less	1 year to 5 years	More than 5 years
Financial Assets – cash flow realisable					
Cash & cash equivalents	-	-	-	-	-
Receivables	40,863	40,863	40,863	-	-
Cash & cash equivalents					
(Western Riverina Community Financial Services)	132,575	132,575	132,575	-	-
Receivables					
(Western Riverina Community Financial Services)	50,526	50,526	50,526	-	-
	223,964	223,964	223,964	-	-

30 June 2011	Carrying amount	Contractual cash flow	1 year or less	1 year to 5 years	More than 5 years
Payables	41,796	(41,796)	(41,796)	-	-
Loans & borrowings	323,691	(323,691)	(323,691)	-	-
Payables (Western Riverina Community Financial Services)	-	-	-	-	-
Loans & borrowings (Western Riverina Community Financial Services)	-	-	-	-	-
	365,487	(365,487)	(365,487)	-	-

30 June 2011	Carrying amount	Contractual cash flow	1 year or less	1 year to 5 years	More than 5 years
Financial Assets – cash flow realisable					-
Cash & cash equivalents	200	200	200	-	-
Receivables	36,089	36,089	36,089		
Receivables (Western Riverina Community Financial Services)	-	-	-	-	-
Cash & cash equivalents (Western Riverina Community Financial Services)	-	-	-	-	-
	36,289	36,289	36,289		

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 it 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 financial instruments will fluctuate because of changes in market interest rates.

The company reviews interest rate risk as part of regular board meetings.

Sensitivity Analysis

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

	2012 $	2011 $
Fixed Rate Instruments		
- Financial assets	-	-
- Financial liabilities	-	-
- Financial assets (Western Riverina Community Financial Services)	132,495	-
- Financial liabilities (Western Riverina Community Financial Services)	(24,447)	-
Variable Rate Instruments		
- Financial assets	-	-
- Financial liabilities	-	(323,691)
- Financial assets (Western Riverina Community Financial Services)	-	-
- Financial liabilities (Western Riverina Community Financial Services)	(242,921)	-
	(134,873)	(323,691)

The company does not account for any fixed interest rate financial asset or liability at fair value, a change in interest rates at the reporting date would not affect profit or loss.

For variable interest rates, a change of 100 basis points would have no impact on profit or retained earnings, assuming all other variables remain constant. This applies to 2011.

Net fair values

The net fair value of financial assets & liabilities approximates the carrying value as disclosed in the Statement of Financial Position.

The company does not have any unrecognised financial instruments at year end.

Capital management

The board's policy is to develop a strong capital base 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.

The distribution limit;

1) is the greater of;
   a) 20% of the profit, or, of the funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period, and
   b) The average level of share capital of the Franchisee over that 12 month period multiplied by the relevant rate of return multiplied by and subject to the availability of distributable profits;
      i) The relevant rate of return is equal to the weighted average interest rate on 90-day bank bills over that 12-month 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 sponsorships.

Charitable donations and sponsorships paid for the year ended June 30 2012 can be seen in the Statement of Comprehensive Performance.

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

23. Corporate Information

Hillston & District Financial Services is a public limited company incorporated in Australia.

The registered office and place of business is 174 High Street, Hillston, New South Wales

24. Directors Declaration

In accordance with a resolution of the directors of Hillston & District Financial Services Limited the directors of the company declare that;

1) The financial statements and notes of the company, set out on pages 7 to 32, are in accordance with the Corporations Act 2001, and:
   a) Give a true and fair value of the company's financial position as at June 30 2012 and the performance for the year ended on that date; and
   b) Comply with Accounting Standards in Australia, International Financial Reporting Standards, and Corporations Regulations 2001; and
2) 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
Chairperson

Signed as Hillston, New South Wales, on April 3rd, 2013

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Hillston & District Financial Services
ACN 107 725 977

Registered office, principal place of business, & share registry:
174 High St
Hillston NSW 2672
Australia