

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 9th ANNUAL GENERAL MEETING of HILLSTON & DISTRICT FINANCIAL SERVICES LIMITED will be held at the Hillston Ex-Servicemen's & Citizens Club on Wednesday 27 November 2013 commencing at 7:00 pm.

AGENDA

Present/Apologies

Minutes of Previous AGM
28 May 2013

Chairman's Report

The Chairman, Mr G W May, will present his report on the operations of the Company for the year ended 30 June 2013.

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 2013 and the Balance Sheet of the Company as at the 30 June 2013.
2. The directors' declaration and report by auditors for the financial year ended 30 June 2013.
3. The directors' report for the financial year ended 30 June 2013.

Election of Directors

- a) Mr M Brettschneider and Mr K Horneman will retire in accordance with the provisions of the constitution and being eligible, offer themselves for re-election.
- b) Election of Directors (if required).

General Business

To transact any business that may be lawfully brought forward.

By order of the Board

D J Fensom
Secretary

Notes:

1. Mr Michael Brettschneider and Mr Keith Horneman 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.
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.

ANNUAL GENERAL MEETING of HILLSTON & DISTRICT FINANCIAL SERVICES Ltd.

HELD at EX-SERVICES CLUB on TUESDAY 28th MAY 2013

PRESENT.

As per meeting register.

APOLOGIES.

P.Storrier, K. Horneman, W. Younger, Resolved that apologies be accepted.

MINUTES.

Resolved that minutes of the 2011 AGM, as printed in the 2012 Annual Report be adopted.

CHAIRMAN' REPORT.

As printed in the Annual Report. Speaking to his report Chairman May thanked recently retired Director Bruce McKenzie for his support of our Community Bank since it first started and then paid tribute to our inaugural chairman, Keith Harvey, who died since our last AGM, for his enormous contribution towards getting our Bank started. He also welcomed our new Directors, Sally Redpath and Cassie Sheridan. Resolved that Manager's Report be adopted.

ADOPTION of ACCOUNTS.

Chairman May referred to;

1. The Profit and Loss Account and the Balance Sheet of the Company as at the 30th June 2012.
2. The Director's Report for the financial year ending 30th June 2012.
3. The Director's Declaration and Auditor's Report for the financial year ending 30th June 2012, all of which were printed in the Annual Report and asked for questions or comments from the shareholders present at the meeting. None were forthcoming, it was resolved that Accounts be adopted.

ELECTION of DIRECTORS.

Mr. G.W. May and Mr. C.D. Rose retired in accordance with the provisions of the constitution and being eligible, offered themselves for re-election. Resolved that Chairman May and Director Rose be re-elected.

GENERAL BUSINESS.

Manager Paul Lenon speaking on his first year with our Community Bank, thanked the community for welcoming him and said that our business was improving and should reach \$50 million by September. He feels that Hillston has good potential to increase our business. He goes to our agency at Lake Cargelligo one day per week and business there is expanding well.

Regional Manager Tim Butt commented that having an AGM in May is most unusual, but Hillston and Coleambally in forming a partnership, gave the accountants and auditors some extra T's to cross and I's to dot, which caused some delay. He complimented the Hillston community for their efforts in keeping full banking business in the town and thanked the Bank Directors for their unpaid contribution to this cause. He also paid tribute to the late Keith Harvey for his efforts in getting a Community Bank established in Hillston.

Shareholder Doris Harvey spoke and complimented our Bank's Manager and Staff for their happy and friendly attitude.

Chairman May thanked everyone for attending and stated that he expects the next AGM will be held in September, 2013 and a dividend should be announced at that time.

Meeting closed at 7-30 pm.

Chairman's Report

Well it's another year gone already and with it the **Community Bank**[®] network keeps growing. Thanks to the support of customers and shareholders the **Community Bank**[®] network has now returned more than \$100 million to support and strengthen local communities Australia-wide.

Our **Community Bank**[®] branch has played a key role in this milestone, returning more than \$62,000 to our local community. These community grants and sponsorships have made a significant difference to a number of local organisations which include the medical centre, skate park, Hook, Line and Sinker, Central school, St Joseph's School and Triathlon, just to name a few plus all other sporting clubs and many more organisations. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

We continue to work hard and grow the business so we can reward the support of our local shareholders by paying them a dividend which seems to elude us at the present time. Paul Lenon, our Branch Manager, is increasing our bank balance so we are getting very close to giving a dividend to our patient shareholders.

On a brighter note our cotton harvest was completed in high spirits with the yields being exceptionally high. With good rains this winter on our cereal crops they are looking at being well above average yields as they are very heavy looking crops.

In our **Community Bank**[®] branch, our Manager Paul Lenon has fitted in really well with all of our customers and staff. He has excelled in his job with signing up many new customers and retaining existing ones, which in turn has grown our banking business immensely. With the help of our very skilled girls Vicki, Julie, Charone and Kylie the bank is a professional place for all of our customers to attend to all of their banking needs, with their friendly and chivalrous manner. I would also like to welcome our newest member to the team, Monique Karsten, who is completing a school-based traineeship. Monique is fitting in well with all the staff and is a pleasure to have working in the branch.

Graeme Lyons and Natasha Mahy, are our new Directors within the last 12 months, and have given numerous ideas already. If anyone has any suggestions to better our **Community Bank**[®] branch, then please don't hesitate to speak to any member of staff or Directors.

Inclosing I would like to thank all our Directors staff, shareholders and customers.

Chairman
Graeme May

Managers Report 2013

It has now been 18 months since my commencement as Branch Manager of Hillston & District **Community Bank®** Branch. Over this period of time the branch has continued to grow both in deposits and lending with the last financial year actual growth being \$8.375 million against a budget of \$10.742 million being a total book of \$48.727 million as at 30/6/13.

I believe this is an excellent result considering the total growth for the 12-month period prior was \$3.930 million. The next 12 months budget has been set at \$8.950 million which I believe is very achievable and as at the 30/9/13 Hillston & District **Community Bank®** Branch book stood at \$50.640 million.

The last three months has seen a number of clients move across from the CBA to refinance loans due to the opening hours of the local branch and the impeccable service the staff offer. The next 12 months I will continue to call on new and existing clients with the focus on increasing our lending side of our book as many people are not aware that we offer the same lending products as the big 4 Banks with old fashioned face-to-face service that we were all custom to some years ago.

The Lake Cargelligo Agency continues to grow with a number of new consumer and business loans written. This has been due to regular visits to the Agency and also word of mouth not only from the staff but clients to friends about how good the **Community Bank®** branch really is and our support in the local community.

Linda Hague, Manager of Lower Lachlan Community Services (our Agent), has seen the success over the last 12 months and is extremely motivated next year to work in closer with myself on a number of projects to keep the ball rolling with the end goal being a Sub **Community Bank®** branch in the near future. I would like to thank Linda, Chris, Rebecca, Maureen, Leanne and Mary for their help over the past 12 months.

We have also recently employed Monique Karsten as a School Based Trainee for the next two years in conjunction with her year 11 and 12 years at Hillston Central School. This is the first time we have commenced this role and I am sure with the success and great results Monique has shown to date this will be a role we will continue to have available to local school students every two years.

I would like to thank the staff, Vicki , Julie , Charone , Kylie and Monique who have been very supportive with the continued growth of the branch. The staff are the face of the branch and I commend them on their efforts during the year.

The last 12 months has also seen two new Directors come onto the Board. Welcome to Graeme Lyons and Natasha Mahy who I can see are going to have valuable input into the growth and direction of the **Community Bank®** branch over the next five years.

The success of the **Community Bank®** branch relies on the support of our customers and with your continued support I am confident that the results of your **Community Bank®** branch 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 I am always available to see you.

Paul Lenon
Branch Manager

**Hillston & District
Financial Services Limited**

Financial Statements

as at

30 June 2013

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

Your directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Name and position held	Qualifications	Experience and Other Directorships
Keith Horneman Director Board Member since January 2004		Non executive director Local Primary Producer
David Fensom Company Secretary Board Member since January 2004		Non executive director Local Primary Producer
Clifford Rose Director Board Member since May 2006		Non executive director Proprietor Roses IGA
Graeme May Chairman Board Member since January 2004		Non executive director Proprietor Hillston Tyre Service
Peter Storrier Director Board Member since November 2007		Non executive director Proprietor Hillston Hardware
Michael Brettschneider Director Board Member since January 2010		Non executive director Local Primary Producer, School Bus Operator & Qualified Mechanic
Sally Repath Director Board Member since April 2012		Non executive director Proprietor Hasslefree Secretarial
Cassandra Sheridan Director Board Member since June 2012		Non executive director Healthy Hillston Project Officer, Murrumbidgee Medicare Local Limited

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.

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

Review of operations

The profit/(loss) of the company for the financial year after provision for income tax was \$19,830 (2012 profit: \$38,324), which is a 48% decrease as compared with the previous year.

The net assets of the company have increased to (\$2,136) (2012: (\$21,966)).

Dividends

There were no dividends paid or provided for during the period.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as director positions are held on a voluntary basis and directors are not remunerated for their services.

Remuneration benefits and payments

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.

The Hillston & District Financial Services Limited has accepted the Bendigo & Adelaide Bank Limited's Community Bank® Directors Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo & Adelaide Bank Ltd shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be \$NIL for the year ended 30 June 2013.

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

Indemnifying officers or auditor

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.

Directors meetings

The number of directors meetings held during the year were 12. Attendances by each director during the year were as follows:

Director	Board Meetings #
Keith Horneman	7 (12)
David Fensom	9 (12)
Clifford Rose	10 (12)
Graeme May	12 (12)
Peter Storrier	9 (12)
Michael Brettschneider	12 (12)
Sally Repath	11 (12)
Cassandra Sheridan	8 (12)

*# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.*

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Company secretary

David Fensom has been the Company Secretary of Hillston & District Financial Services Limited since 2004. David's qualifications and experience include his role as non executive director and occupation as primary producer.

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

Non audit services

The directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 5 of this financial report. No officer of the company is or has been a partner of the auditor of the company.

Signed in accordance with a resolution of the Board of directors at Hillston, New South Wales on
31 October 2013.



G. May
Director



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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Bendigo, Victoria
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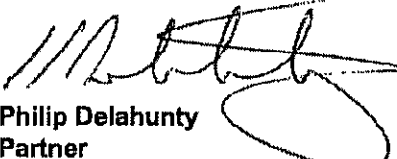
www.rsdadvisors.com.au

Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Hillston & District Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there has been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



Philip Delahunty
Partner
Bendigo

Dated at Bendigo, 31 October 2013

Richmond Sinnott & Delahunty
ABN 60 616 241 309
Liability limited by a scheme
approved under Professional
Standards Legislation

Partners
Wanda Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Hillston & District Financial Services Limited
ABN 44 107 725 977
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2013

	<u>Notes</u>	2013 \$	2012 \$
Revenue	2	509,299	630,315
Interest received	2	4,759	5,504
Employee benefits expense	3	(271,487)	(397,364)
Depreciation and amortisation expense	3	(12,428)	(10,288)
Finance costs	3	(1,830)	(1,796)
Bad and doubtful debts expense	3	-	10,338
Rental expense		(6,040)	(9,153)
Other expenses		<u>(161,124)</u>	<u>(171,189)</u>
Operating profit/(loss) before charitable donations & sponsorships		61,149	56,367
Charitable donations and sponsorships		<u>(25,586)</u>	<u>(150)</u>
Profit/(loss) before income tax expense		35,563	56,217
Tax expense / (benefit)	4	<u>15,733</u>	<u>17,893</u>
Profit/(loss) for the year		19,830	38,324
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>19,830</u></u>	<u><u>38,324</u></u>
Profit/(loss) attributable to:			
Members of the company		<u>19,830</u>	<u>38,324</u>
Total		<u><u>19,830</u></u>	<u><u>38,324</u></u>
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	3.20	6.19
- diluted for profit / (loss) for the year	21	3.20	6.19

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 2013

	<u>Notes</u>	<u>2013</u> \$	<u>2012</u> \$
Assets			
Current Assets			
Cash and cash equivalents	6	93,734	132,575
Trade and other receivables	7	48,308	91,389
Total Current Assets		<u>142,042</u>	<u>223,964</u>
Non-Current Assets			
Property, plant and equipment	9	134,229	120,476
Deferred tax asset	4	183,334	199,066
Investments	8	18,569	12,745
Total Non-Current Assets		<u>336,132</u>	<u>332,287</u>
Total Assets		<u>478,174</u>	<u>556,251</u>
Liabilities			
Current Liabilities			
Trade and other payables	10	37,797	104,340
Borrowings	11	124,306	244,479
WRCFS interest	13	172,963	182,343
Provisions	12	41,111	24,167
Total Current Liabilities		<u>376,177</u>	<u>555,329</u>
Non Current Liabilities			
Borrowings	11	104,133	22,888
Total Non Current Liabilities		<u>104,133</u>	<u>22,888</u>
Total Liabilities		<u>480,310</u>	<u>578,217</u>
Net Assets / (Liabilities)		<u>(2,136)</u>	<u>(21,966)</u>
Equity			
Issued capital	14	618,830	618,830
Retained earnings / (accumulated losses)	14	(620,966)	(640,796)
Total Equity		<u>(2,136)</u>	<u>(21,966)</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 2013

		Share Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011		618,830	(679,120)	(60,290)
Total comprehensive income for the year		-	38,324	38,324
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	-	-
Balance at 30 June 2012		618,830	(640,796)	(21,966)
Balance at 1 July 2012		618,830	(640,796)	(21,966)
Total comprehensive income for the year		-	19,830	19,830
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	-	-
Balance at 30 June 2013		618,830	(620,966)	(2,136)

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 2013

	<u>Notes</u>	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from clients		585,939	578,338
Payments to suppliers and employees		(563,185)	(499,754)
Dividend revenue received		1,504	-
Interest paid		-	(1,796)
Interest received		4,759	5,504
Other Income		2,080	
Borrowing Costs		(1,830)	
Net cash flows from/(used in) operating activities	15b	<u>29,267</u>	<u>82,292</u>
Cash Flows From Investing Activities			
Western Riverina Community Financial Services		-	130,853
Purchase of property, plant & equipment		(26,181)	-
Proceeds from sale of property, plant & equipment		7,434	
Proceeds from sale of investments		-	
Purchase of investments		(1,053)	
Net cash flows from/(used in) investing activities		<u>(19,800)</u>	<u>130,853</u>
Cash Flows From Financing Activities			
Dividends paid		-	-
Net movement in WRCFS investment		(9,380)	
Repayment of borrowings		91,837	
Net cash flows from/(used in) financing activities		<u>82,457</u>	<u>-</u>
Net increase/(decrease) in cash held		91,924	213,145
Cash and cash equivalents at start of year		(110,346)	(323,491)
Cash and cash equivalents at end of year	15a	<u>(18,422)</u>	<u>(110,346)</u>

Note: Hillston & District Financial Services Limited do not maintain a cash at bank balance. The cash at bank balance relates to Hillston & District Financial Services Limited's interest in the cash balance of Western Riverina Community Financial Services Partnership. The above transactions reported are the interest taken from the partnership receipts and payments of cash in order to provide a more meaningful report to the users of these financial statements.

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 2013

The financial statements and notes represent those of Hillston & District Financial Services Limited.

Hillston & District Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 31 October 2013.

1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

(b) 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 2013

1. Summary of significant accounting policies (continued)

(c) 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:

<i>Class of Asset</i>	<i>Depreciation Rate</i>
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.

(d) Impairment 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.

Hillston & District Financial Services Limited

ABN 44 107 725 977

Notes to the Financial Statements

For the year ended 30 June 2013

1. Summary of significant accounting policies (continued)

(e) 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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

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

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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 2013

1. Summary of significant accounting policies (continued)

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(l) 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
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Notes to the Financial Statements
For the year ended 30 June 2013

1. Summary of significant accounting policies (continued)

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and 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. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses 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 which incorporate various key assumptions.

1. Summary of significant accounting policies (continued)

(q) 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 or loss immediately.

Classification and subsequent measurement

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

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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.

(i) Loans and receivables

Loans and 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be 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 debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Hillston & District Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2013

	2013	2012
	\$	\$
2. Revenue and other income		
Revenue		
- services commissions	499,785	627,260
- other revenue	9,514	3,055
	<u>509,299</u>	<u>630,315</u>
Other revenue		
- interest received	4,759	-
	<u>4,759</u>	<u>-</u>
Total Revenue	<u>514,058</u>	<u>630,315</u>
3. Expenses		
Employee benefits expense		
- wages and salaries	247,035	203,767
- superannuation costs	24,452	19,844
- other allowances & payments	-	4,371
- Western Riverina Community Financial Services	-	169,382
	<u>271,487</u>	<u>397,364</u>
Depreciation of non-current assets:		
- plant and equipment	5,615	6,043
- buildings	1,524	-
- motor vehicles	5,289	3,535
- leasehold improvements	-	710
Amortisation of non-current assets:		
- intangible assets	-	-
	<u>12,428</u>	<u>10,288</u>
Finance Costs:		
- Interest paid	1,830	1,796
Bad debts written off (recovered)	-	(10,338)

Hillston & District Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2013

	2013	2012
	\$	\$
4. Tax Expense		
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	10,669	16,865
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Accrued expenses paid	-	(443)
- Non-deductible expenses	5,064	1,471
<i>Current income tax expense</i>	<u>15,733</u>	<u>17,893</u>
Income tax attributable to the entity	<u>15,733</u>	<u>17,893</u>
The applicable weighted average effective tax rate is	44.24% #	31.83%
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>183,334</u>	<u>199,066</u>
The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.		
5. Auditors' remuneration		
Remuneration of the auditor for:		
- Audit or review of the financial report	<u>4,150</u>	<u>3,900</u>
	<u>4,150</u>	<u>3,900</u>
6. Cash and cash equivalents		
Cash on hand (Western Riverina Community Financial Services)	80	80
Term Deposits (Western Riverina Community Financial Services)	93,654	132,495
	<u>93,734</u>	<u>132,575</u>
7. Trade and other receivables		
Trade debtors	-	40,864
Prepayments (Western Riverina Community Financial Services)	1,780	4,590
Rental Bond (Western Riverina Community Financial Services)	352	352
Trade Debtors (Western Riverina Community Financial Services)	45,725	45,583
Other Debtors (Western Riverina Community Financial Services)	451	-
	<u>48,308</u>	<u>91,389</u>

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

Hillston & District Financial Services Limited

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Notes to the Financial Statements

For the year ended 30 June 2013

7. Trade and other receivables (continued)

Credit risk (continued)

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

2013	Gross Amount \$	Past Due and impaired \$	Past Due but Not Impaired			Not Past Due \$
			< 30 days \$	31-60 days \$	> 60 days \$	
Trade debtors - 60% interest	45,725	-	-	-	-	45,725
Total	45,725	-	-	-	-	45,725
2012						
Trade receivables	40,864	-	-	-	-	40,864
Total	40,864	-	-	-	-	40,864

8. Investments

	2013 \$	2012 \$
Listed Shares at market value (Western Riverina Community Financial Services)	18,569	12,745
	<u>18,569</u>	<u>12,745</u>

Movements in carrying amounts

Balance at the beginning of the reporting period	12,745	-
Additions / Purchases - interest in WRCFS (at cost)	1,053	18,596
Disposals	-	-
Revaluation to market - increment / (decrement)	4,771	(5,851)
Balance at the end of the reporting period	<u>18,569</u>	<u>12,745</u>

Hillston & District Financial Services Limited

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Notes to the Financial Statements

For the year ended 30 June 2013

	2013	2012
	\$	\$
9. Property, plant and equipment (continued)		
<i>Property - 1 Brolga Place, Coleambally - Land</i> (Western Riverina Community Financial Services)	16,000	16,000
<i>Property - 1 Brolga Place, Coleambally - Building</i> (Western Riverina Community Financial Services)		
At valuation	44,000	44,000
Less accumulated depreciation	<u>(1,100)</u>	<u>-</u>
	<u>42,900</u>	<u>44,000</u>
<i>Leasehold improvements</i> (Western Riverina Community Financial Services)		
At cost	18,792	18,792
Less accumulated depreciation	<u>(2,302)</u>	<u>(1,878)</u>
	<u>16,490</u>	<u>16,914</u>
<i>Plant & Equipment</i> (Western Riverina Community Financial Services)		
At cost	88,569	87,392
Less accumulated depreciation	<u>(59,234)</u>	<u>(53,619)</u>
	<u>29,335</u>	<u>33,773</u>
<i>Motor Vehicles</i> (Western Riverina Community Financial Services)		
At cost	59,504	34,500
Less accumulated depreciation	<u>(30,000)</u>	<u>(24,711)</u>
	<u>29,504</u>	<u>9,789</u>
Total written down amount	<u>134,229</u>	<u>120,476</u>
Movements in carrying amounts		
<i>Leasehold improvements</i>		
Balance at the beginning of the reporting period	-	43,645
Additions / Purchases	-	-
Disposals - contribution to WRCFS	-	(43,369)
Depreciation expense	-	(276)
Balance at the end of the reporting period	<u>-</u>	<u>-</u>
<i>Plant and equipment</i>		
Balance at the beginning of the reporting period	-	23,927
Additions / Purchases	-	2,409
Disposals / Sales - contribution to WRCFS	-	(25,499)
Depreciation expense	-	(837)
Balance at the end of the reporting period	<u>-</u>	<u>-</u>
<i>Property - 1 Brolga Place, Coleambally</i> (Western Riverina Community Financial Services)		
Land - Balance at the beginning of the reporting period	16,000	-
Additions / Purchases - interest in WRCFS	-	16,000
Disposals	-	-
Land - Balance at the end of the reporting period	<u>16,000</u>	<u>16,000</u>
Building - Balance at the beginning of the reporting period	44,000	44,972
Additions / Purchases - interest in WRCFS (at market value)	-	-
Disposals	-	-
Revaluation decrement	-	(972)
Depreciation expense	<u>(1,100)</u>	<u>-</u>
Building- Balance at the end of the reporting period	<u>42,900</u>	<u>44,000</u>

Hillston & District Financial Services Limited

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Notes to the Financial Statements

For the year ended 30 June 2013

	2013	2012
	\$	\$
9. Property, plant and equipment (continued)		
Movements in carrying amounts (continued)		
<i>Leasehold Improvements</i>		
(Western Riverina Community Financial Services)		
Balance at the beginning of the reporting period	16,914	-
Additions / Purchases at cost - interest in WRCFS	-	18,792
Less accumulated depreciation - interest in WRCFS	-	(1,444)
Disposals / Sales	-	-
Depreciation expense - interest in WRCFS	(424)	(434)
Balance at the end of the reporting period	<u>16,490</u>	<u>16,914</u>
<i>Plant and equipment</i>		
(Western Riverina Community Financial Services)		
Balance at the beginning of the reporting period	33,773	-
Additions / Purchases - interest in WRCFS	1,177	87,392
Less accumulated depreciation - interest in WRCFS	-	48,413
Disposals / Sales	-	-
Depreciation expense - interest in WRCFS	(5,615)	(5,206)
Balance at the end of the reporting period	<u>29,335</u>	<u>33,773</u>
<i>Motor Vehicles</i>		
(Western Riverina Community Financial Services)		
Balance at the beginning of the reporting period	9,789	-
Additions interest in WRCFS (60%)	25,004	34,500
Less accumulated depreciation - interest in WRCFS	-	(21,176)
Disposals / Sales - contribution to WRCFS	-	-
Depreciation expense - interest in WRCFS	(5,289)	(3,535)
Balance at the end of the reporting period	<u>29,504</u>	<u>9,789</u>
10. Trade and other payables		
Current		
Unsecured liabilities:		
Other creditors & Accruals	-	42,096
Trade creditors (Western Riverina Community Financial Services)	17,990	20,717
Other creditors & Accruals (Western Riverina Community Financial Services)	14,279	41,527
GST Payable (Western Riverina Community Financial Services)	5,528	-
	<u>37,797</u>	<u>104,340</u>
11. Borrowings		
<i>Current</i>		
Bank overdraft (Western Riverina Community Financial Services)	112,156	242,920
Motor Vehicle Finance (Western Riverina Community Financial Services)	12,150	1,559
	<u>124,306</u>	<u>244,479</u>
<i>Non-Current</i>		
Term Loan (Western Riverina Community Financial Services)	104,133	22,888
	<u>104,133</u>	<u>22,888</u>

The Motor Vehicle Finance is a portion of Western Riverina Community Financial Services which is secured by a charge over the motor vehicle and a company guarantee.

The Term Loan is currently an interest only loan at a rate of 4.597% and is unsecured.

Hillston & District Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2013

	2013	2012
	\$	\$
12. Provisions		
Employee benefits (Western Riverina Community Financial Services)	<u>41,111</u>	<u>24,167</u>
Movement in employee benefits		
Opening balance	24,167	19,263
Additional provisions recognised	19,003	17,585
Amounts utilised during the year	<u>(2,059)</u>	<u>(12,681)</u>
Closing balance	<u>41,111</u>	<u>24,167</u>
Current		
Annual Leave (Western Riverina Community Financial Services)	<u>17,676</u>	<u>15,837</u>
	17,676	15,837
Long-service leave (Western Riverina Community Financial Services)	<u>23,435</u>	<u>8,330</u>
	23,435	8,330
Total provisions	<u>41,111</u>	<u>24,167</u>

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

13. WRCFS Interest

Share of Net Assets of the WRCFS Partnership	<u>172,963</u>	<u>182,343</u>
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This balance represents the company's share of the net amount of assets and liabilities of Western Riverina Community Financial Services Partnership.

14. Equity

Share Capital

618,830 Ordinary Shares fully paid of \$1 each	618,830	618,830
Less: Equity raising costs	<u>-</u>	<u>-</u>
	<u>618,830</u>	<u>618,830</u>

Hillston & District Financial Services Limited

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Notes to the Financial Statements

For the year ended 30 June 2013

14. Equity (continued)	2013	2012
	\$	\$
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	618,830	618,830
Shares issued during the year	-	-
At the end of the reporting period	<u>618,830</u>	<u>618,830</u>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Retained earnings / (accumulated losses)	2013	2012
	\$	\$
Balance at the beginning of the reporting period	(640,796)	(679,120)
Profit/(loss) after income tax	19,830	38,324
Balance at the end of the reporting period	<u>(620,966)</u>	<u>(640,796)</u>

Hillston & District Financial Services Limited

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Notes to the Financial Statements

For the year ended 30 June 2013

	2013	2012
	\$	\$
15. Statement of cash flows		
<i>(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows</i>		
As per the statement of financial position (WRCFS)	93,734	132,575
less Bank overdraft (WRCFS)	<u>(112,156)</u>	<u>(242,921)</u>
As per the statement of cash flow	<u>(18,422)</u>	<u>(110,346)</u>
<i>(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities</i>		
Profit / (loss) after income tax	19,830	38,324
Non cash items		
- Depreciation	12,428	10,288
- Amortisation	-	-
- Net profit/loss from sale of plant & equipment	(7,434)	-
- Change in market value of investments at year end	(4,771)	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	43,080	(51,662)
- (Increase) decrease in deferred tax asset	15,733	17,893
- Increase (decrease) in other payables	(66,543)	62,545
- Increase (decrease) in provisions	16,944	4,903
Net cash flows from/(used in) operating activities	<u>29,267</u>	<u>82,291</u>

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to \$130,700 (2012: \$284 433). This may be terminated at any time at the option of the bank. At 30 June 2013, \$112,156 of this facility was used (2012: \$265 808). Variable interest rates apply to these overdraft and bill facilities.

16. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No director fees have been paid as the positions are held on a voluntary basis.

The Hillston & District Financial Services Limited has accepted the Bendigo & Adelaide Bank Limited's Community Bank® Directors Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo & Adelaide Bank Ltd shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

Hillston & District Financial Services Limited

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Notes to the Financial Statements

For the year ended 30 June 2013

16. Related party transactions (continued)

The Directors have estimated the total benefits received from the Directors Privilege Package to be \$NIL for the year ended 30 June 2013.

(d) Key management personnel shareholdings

The number of ordinary shares in Hillston & District Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2013	2012
Keith Horneman	2,000	2,000
David Fensom	6,000	6,000
Clifford Rose	5,500	5,500
Graeme May	4,500	4,500
Peter Storrier	2,000	2,000
Michael Brettschneider	2,000	2,000
Sally Repath	500	500
Cassandra Sheridan	1,000	1,000

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

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

17. Events after the reporting period

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

18. Contingent liabilities and assets

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

19. Operating segments

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

Hillston & District Financial Services Limited, in conjunction with Coleambally Finance Group Limited, 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 company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Hillston & Coleambally, New South Wales. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

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For the year ended 30 June 2013

20. Company details

The registered office & principle place of business is: 174 High Street
Hillston NSW 2675

21. Earnings per share

	2013	2012
	\$	\$

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 expense	<u>19,830</u>	<u>38,324</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>618,830</u>	<u>618,830</u>

22. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the period.

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Notes to the Financial Statements

For the year ended 30 June 2013

23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	#	2013	#	2012
	Note	\$		\$
Financial Assets				
Cash & cash equivalents	6	93,734		132,575
Trade and other receivables	7	-		40,863
Trade and other receivables (WRCFS)	7	48,308		50,526
Total Financial Assets		142,042		223,964
Financial Liabilities				
Trade and other payables	10	37,797		104,340
Loans & Borrowings	11	228,439		267,367
Total Financial Liabilities		266,236		371,707

Financial Risk Management Policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific Financial Risk Exposure and Management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

None of the assets of the company are past due (2012: 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 Limited and therefore credit risk is considered minimal.

Hillston & District Financial Services Limited

ABN 44 107 725 977

Notes to the Financial Statements

For the year ended 30 June 2013

(a) Credit Risk (continued)	2013	2012
	\$	\$
Cash and cash equivalents:		
A rated	<u>93,734</u>	<u>132,575</u>

(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.

In addition the company has established an overdraft facility of \$130,700 with Bendigo & Adelaide Bank Limited.

Financial liability and financial asset maturity analysis:

30 June 2013		Total	Within 1 year	1 to 5 years	Over 5 years
	Note	\$	\$	\$	\$
Financial Liabilities due					
Trade and other payables	10	37,797	37,797	-	-
Loans and borrowings	11	228,439 *	124,306	-	104,133
Total expected outflows		<u>266,236</u>	<u>162,103</u>	<u>-</u>	<u>104,133</u>
Financial Assets - realisable					
Cash & cash equivalents	6	93,734	93,734	-	-
Trade and other receivables	7	48,308	48,308	-	-
Total anticipated inflows		<u>142,042</u>	<u>142,042</u>	<u>-</u>	<u>-</u>
Net (Outflow)/Inflow on financial instruments		<u>(124,194)</u>	<u>(20,061)</u>	<u>-</u>	<u>(104,133)</u>
30 June 2012					
		Total	Within 1 year	1 to 5 years	Over 5 years
		\$	\$	\$	\$
Financial Liabilities due					
Trade and other payables	10	104,340	104,340	-	-
Loans and borrowings	11	267,367 *	267,367	-	-
Total expected outflows		<u>371,707</u>	<u>371,707</u>	<u>-</u>	<u>-</u>
Financial Assets - realisable					
Cash & cash equivalents	6	132,575	132,575	-	-
Trade and other receivables	7	91,389	91,389	-	-
Total anticipated inflows		<u>223,964</u>	<u>223,964</u>	<u>-</u>	<u>-</u>
Net (Outflow)/Inflow on financial instruments		<u>(147,743)</u>	<u>(147,743)</u>	<u>-</u>	<u>-</u>

* The Bank overdraft has no set repayment period and as such all has been included as current.

(c) Market risk

Hillston & District Financial Services Limited

ABN 44 107 725 977

Notes to the Financial Statements

For the year ended 30 June 2013

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 is the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	2013 \$	2012 \$
Cash and cash equivalents (net of bank overdrafts)	(20.81%)	35%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	<u>(1,347)</u>	<u>(1,347)</u>
	<u>(1,347)</u>	<u>(1,347)</u>
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	<u>(1,348)</u>	<u>(1,348)</u>
	<u>(1,348)</u>	<u>(1,348)</u>

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

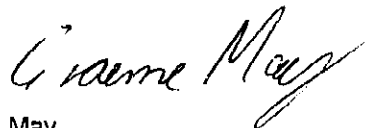
The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 6 to 28 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2013 and of the performance for the year ended on that date;
- 2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.



G. May
Director

Signed at Hillston, New South Wales on 31 October 2013.

31st October 2013

The Directors
Hillston & District Financial Services Limited
PO Box 122
HILLSTON NSW 2675

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

Dear Directors,

We have now completed our audit of the financial report of Hillston & District Financial Services Limited for year ended 30 June 2013. 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 2013	30 June 2012
	\$	\$
Revenue from ordinary activities	509,299	630,315
Interest received	4,759	5,504
Employee benefits expense	(271,487)	(397,364)
Depreciation & amortisation expenses	(12,428)	(10,288)
Finance costs	(1,830)	(1,796)
Bad and doubtful debts expense	-	10,338
Rental expense	(6,040)	(9,153)
Other expenses	(161,124)	(171,189)
Operating profit/(loss) before charitable donations & sponsorships	61,149	56,367
Charitable donations & sponsorship	(25,586)	(150)
Profit/(loss) before income tax expense	35,563	56,217
Income tax expense	15,733	17,893
Profit/(loss) for the year	19,830	38,324

2.2 Financial Position

	30 June 2013	30 June 2012
	\$	\$
Current assets	142,042	223,964
Non-current assets	336,132	332,287
Total assets	478,174	556,251
Current liabilities	376,177	555,329
Non-current liabilities	104,133	22,888
Total liabilities	480,310	578,217
Equity	(2,136)	(21,966)

3. Auditing/Accounting Issues

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

3.1 Share in Western Riverina

It was identified through the audits of Western Riverina Community Financial Services Partnership, Hillston & District Financial Services Limited and Coleambally Finance Group Limited that the amounts per the Western Riverina Partner's Profit Distribution Summary differ to the respective asset or liability in the Coleambally and Hillston accounts. The differences identified are not material and have not been adjusted in the financial accounts for any of the three entities for 30 June 2013.

We recommend these variances be investigated and rectified for future periods.

4. Summary of Audit Differences

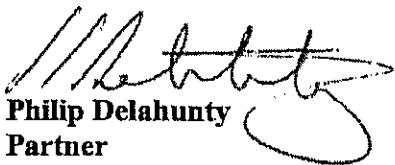
There are no material audit differences that have not been included in the financial report for Hillston & District Financial Services Limited.

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



Philip Delahunty
Partner

Richmond Sinnott & Delahunty

31st October 2013

The Directors
Hillston & District Financial Services Limited
PO Box 122
HILLSTON NSW 2675

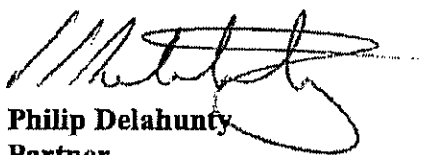
Dear Directors

To the Directors of Hillston & District Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2013 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



Philip Delahunty
Partner
Richmond Sinnott & Delahunty



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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Bendigo, Victoria
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HILLSTON & DISTRICT FINANCIAL SERVICES
LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Hillston & District Financial Services Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

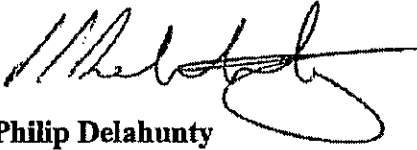
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Hillston & District Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Hillston & District Financial Services Limited is 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 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



Philip Delahunty
Partner

Dated at Bendigo, 31 October 2013