

Hillston **Community Bank**[®] Branch
Lake Cargelligo Agency
Hay Agency



annual report **2014**

Hillston & District Financial Services Limited

ABN 44 107 725 977

Western Riverina Community Financial Services Partnership

ABN 62 152 289 391



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 10th ANNUAL GENERAL MEETING of HILLSTON & DISTRICT FINANCIAL SERVICES LIMITED will be held at the Hillston Ex-Servicemen's & Citizens Club on Tuesday 25 November 2014 commencing at 7:00 pm.

AGENDA

Present/Apologies

Minutes of Previous AGM

27 November 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 2014.

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 2014 and the Balance Sheet of the Company as at the 30 June 2014.
2. The directors' declaration and report by auditors for the financial year ended 30 June 2014.
3. The directors' report for the financial year ended 30 June 2014.

Election of Directors

- a) Mr D J Fensom and Mr P J Storrier 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

N J Mahy
Secretary

Notes:

1. Mr John Fensom and Mr Peter Storrier 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 Hillston Ex Servicemen's Club on Wednesday 27th November 2013

Meeting opened at 7:05pm 27th November 2013

PRESENT: As per meeting register.

APOLOGIES: J Fensom, P Lenon, V Kerr

Graeme May (Chair) welcomed everyone to the meeting and introduced the 2 new Directors Graeme Lyons and Natasha Mahy, and advised Director Mahy was filling in for Director Fensom recording the minutes for the AGM.

PREVIOUS MINUTES: Chairman May resolved that minutes of the 2012 AGM as printed in the 2013 Annual Report be adopted. Following questions were addressed in regards to the 2012 AGM minutes

1. Shareholder Kay Horneman referred to the announcement of a dividend for 2013 and if there would be one, Chairman May responded explaining due to a change in taxation laws approx. 2 – 3 years ago our retained earnings were approx. \$1013 short of being in positive equity and we are unable to pay a dividend this year. Regional Manager Tim Butt also responded further to Chairman May's response by adding that we have had a very tough year in finance this year in regards to Margin income and explained that the Merger with Coleambally has allowed the bank to become much closer to a dividend than it would have been without the merger.
2. Shareholder Kay Horneman asked if BBL could possibly help financially so we could pay a dividend, Tim Butt responded that there are approx. 300 Community Banks and what we do for one we would have to do for all and it's just not possible at this stage. Overall the BBL business has been increasing and we are gaining a very positive outlook and explained the benefit of the 60/40 profit split with Coleambally.

CHAIRMANS REPORT: As printed in the 2013 Annual Report

Chairman May gave a brief description of the Chairman's report printed in the Annual Report.

Resolved that the Chairman's Report be adopted.

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 30th June 2013 and the balance sheet of the Company as at the 30th June 2013.
2. The Director's declaration and report by auditors for the financial year ended 30th June 2013
3. The Directors report for the financial year ended 30th June 2013.

All of which are printed in the Annual Report and were circulated to shareholders.

Resolved that the accounts be adopted.

ELECTION OF DIRECTORS:

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.

Resolved that Director Brettschneider & Director Horneman be re-elected.

Director Horneman expressed he wishes to retire from the board but would like to see a dividend before he does so.

General Business

Shareholder Doris Harvey complimented the staff for their service and what a pleasure it is to see old fashioned banking in the branch.

Shareholder K Horneman asked how Lake Cargelligo Agency is going, Tim Butt is pleased with how the business is increasing with just on 3 million on the book and the community is accepting the Bendigo Bank brand.

Shareholder Stan Moore asked if there was an agency in Darlington Point, yes there is and Tim explained the agency has grown faster in the last 18 months than it has in the last 3 years and very pleased with that agency.

Shareholder Stan Moore asked how many customers we have in our Hillston Branch – 1074 with the average of products per customer growing from 1.5 to 2 so very happy with that growth.

Shareholder Stan Moore asked about the Grant that was given to Lake Cargelligo Childcare Centre where did that come from Tim Butt explained that there is a Community Enterprise Foundation for community grants and ours is approx. \$40000 per year that needs to go back into the community and if we don't use it we lose it.

Chairman May thanked the Staff, Vicki, Julie, Charone, Kylie and Monique for the great job they are all doing and the results are showing in our business growth. He also thanked Paul for the exceptional job he is doing getting out and meeting with clients and potential clients and growing the Lake Cargelligo agency. The results of Paul's work are definitely showing.

Tim Butt thanked everyone for attending and gave an example of the recent Adelong Board Meeting with a very tough year in finance although the branch has settled more loans but grown less which means people are paying more off mortgages whilst the interest rates are low with not much difference between interest rates on savings accounts. This means that in order to grow the branches we need to do more for our customers, need to offer extra products for them ie insurance. The in branch transactions are dropping due to the electronic banking and how do we stay in front of our customers in such a tough market but reassured the shareholders we are trying hard to achieve this. The one point of difference for our branch compared to the CBA branch is our opening hours and our face to face service.

Tim reassured our shareholders that the directors are privy to final figures only not any personal banking information of our clients and our client's privacy is paramount to our business.

He also thanked Paul and the staff for their excellent work.

Meeting Closed at 7:35pm

Chairman's Report

Well 2014 is just about over and the **Community Bank**[®] network has just kept growing and opening new branches across Australia. **Community Bank**[®] branches have given back over \$120 million to their communities. Our **Community Bank**[®] branch has played a key role in that milestone, returning more than \$75,000 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, Hillston Community Dressing Sheds, 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 patient shareholders. We the Directors have made a decision to pay a dividend of \$0.035 per share to our shareholders this year on 12 December 2014. We have also taken over the agency at both Hay and Lake Cargelligo now, so along with the Hillston & District **Community Bank**[®] Branch, we should grow a lot faster. This will allow us to put more back into our communities and shareholder dividends.

John Walton is our Agri Manager for the area and has just had Mark Hatelly join the team. Mark will help ease the workload of John and with the two of them helping Paul Lenon out, our Branch Manager, business will grow even faster.

I would like to take this opportunity to thank Paul for all the hard work he has done in the past 12 months, our branch has continued to grow along with our clientele base. And a big thanks to our forever helpful and proficient girls at the branch Vicki, Julie, Charone, Kylie and Monique our trainee for the last two years.

If anybody has any interest in purchasing **Community Bank**[®] company shares, please contact the Hillston & District **Community Bank**[®] Branch for details, as we have shares for sale.

In closing I would also like to thank all of our volunteer Directors who put in a lot of their own time going to meetings and working out new ideas to better our branch and community. And lastly I would like to thank our valuable shareholders and customers because without you we would not be here.

Graeme May
Chairman



Managers Report 2014

It has not quite been three years 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 \$12,126 million against a budget of \$10.136 million being a total book of \$60,853 million as at 30 June 2014.

I believe this is another excellent result following on from a very successful 2013 financial year. The next 12 months budget has been set at \$6.0 million which I believe is very achievable and as at the 30 September 2014 Hillston & District **Community Bank®** Branch book stood at \$63,136 million.

The last three years has seen a number of new clients move across from a number of the 'Big 4 Banks' to the **Community Bank®** branch and repeat business from our existing clients due to the opening hours of the local branch and the impeccable service the staff offer. Over 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 accustomed 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 **Community Bank®** sub branch in the near future. I would like to thank Linda, Chris, Rebecca, Maureen and Leanne for their help over the past 12 months.

As at the 1st August 2014 we took over as parent branch of the Hay agency from Deniliquin branch as we could see the potential the Hay community has to offer to our portfolio and the last two months has seen over \$1.5 million in new business for the agency which will continue to grow with the end goal also being a **Community Bank®** sub branch in the near future.

We would like to welcome on board the agency principals David and Janet Low and their staff from the Hay Newsagency, the host of our agency.

Monique Karsten has recently completed her School Based Traineeship at the branch which has been a great success and we have recently employed Kelly Hewett as the new School Based Trainee for the next two years in conjunction with her year 11 and 12 years at Hillston Central School.

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.

A new Agri Manager has also been employed based out of Griffith. His name is Mark Hately and he will look after all existing and new Rural clients around the Lake Cargelligo, Hillston and Hay regions. Being a Lake Cargelligo local I am sure Mark will be a great asset to the group.

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 2014

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

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were directors of Hillston & District Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Graeme May Appointed 23/01/2004 Director		Non executive director Proprietor Hillston Tyre Service
Michael Brettschneider Appointed 25/01/2010 Director		Non executive director Local Primary Producer, School Bus Operator & Qualified Mechanic
David Fensom Appointed 23/01/2004 Resigned as Secretary 18/12/2013 Director		Non executive director Local Primary Producer
Keith Horneman Appointed 23/01/2004 Director		Non executive director Local Primary Producer
Graeme Lyons Appointed 27/08/2013 Director		Principal - Pinnacle HPC Accountants Certified Accountant
Natasha Mahy Appointed 27/08/2013 Secretary		Home duties
Sally Redpath Appointed 30/04/2012 Director		Non executive director Proprietor Hasslefree Secretarial
Cassandra Sheridan Appointed 29/06/2012 Director		Non executive director Healthy Hillston Project Officer, Murrumbidgee Medicare Local Limited
Peter Storrier Appointed 21/11/2007 Director		Non executive director Proprietor Hillston Hardware
Clifford Rose Appointed 29/05/2006 Resigned 27/11/2013		Non executive director Proprietor Roses IGA

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

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

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was \$39,721 (2013 profit: \$19,830).

The net assets of the company have increased to \$37,585 (2013: (\$2,316)).

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 and 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 and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise 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 2014.

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 incurred 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 10. Attendances by each Director during the year were as follows:

Director	Board meetings #
Graeme May	10 (10)
Michael Brettschneider	10 (10)
David Fensom	6 (10)
Keith Horneman	5 (10)
Graeme Lyons	5 (9)
Natasha Mahy	6 (9)
Sally Redpath	8 (10)
Cassandra Sheridan	7 (10)
Peter Storrier	8 (10)
Clifford Rose	0 (4)

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

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

Natasha Mahy has been the Company Secretary of Hillston & District Financial Services Limited since 2013.

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

Non audit services

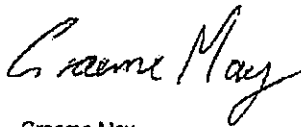
The Board of Directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's 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 on
24th September 2014.



Graeme May
Director



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Bendigo, Victoria
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Email: rsd@rsdadvisors.com.au

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 2014 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

A handwritten signature in black ink, appearing to read "P.P. Delahunty". The signature is fluid and cursive, with a large loop at the end.

P.P. Delahunty
Partner
Bendigo

Dated at Bendigo, 26 September 2014

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:

Cara Hall
Brett Andrews

Phillip Delahunty
Kathie Tesdale
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 2014

	<u>Notes</u>	2014 \$	2013 \$
Revenue	2	518,305	514,058
Employee benefits expense	3	(268,645)	(271,487)
Depreciation and amortisation expense	3	(14,939)	(12,428)
Finance costs	3	(8,874)	(1,830)
Bad and doubtful debts expense	3	(7)	-
Rental expense		(5,965)	(6,040)
Other expenses	3	<u>(161,081)</u>	<u>(161,124)</u>
Operating profit before charitable donations & sponsorships		58,794	61,149
Charitable donations and sponsorships		<u>(12,704)</u>	<u>(25,586)</u>
Profit before income tax expense		46,090	35,563
Tax expense	4	<u>6,369</u>	<u>15,733</u>
Profit for the year		39,721	19,830
Other comprehensive income		-	-
Total comprehensive income		<u>39,721</u>	<u>19,830</u>
Profit attributable to members of the company:		39,721	19,830
Total comprehensive income attributable to members of the company		<u>39,721</u>	<u>19,830</u>
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	23	6.42	3.20

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 2014

	<u>Notes</u>	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	6	38,340	36,967
Trade and other receivables	7	55,839	48,308
Investments and other financial assets	8	67,200	75,336
Total current assets		<u>161,379</u>	<u>160,611</u>
Non-current assets			
Property, plant and equipment	9	210,647	134,229
Deferred tax asset	13	176,964	183,334
Total non-current assets		<u>387,611</u>	<u>317,563</u>
Total assets		<u>548,990</u>	<u>478,174</u>
Liabilities			
Current liabilities			
Trade and other payables	10	32,068	37,797
Loans and borrowings	11	123,473	124,306
WRCFS Interest	12	163,557	172,963
Provisions	13	45,569	41,111
Total current liabilities		<u>364,667</u>	<u>376,177</u>
Non current liabilities			
Loans and borrowings	11	146,738	104,133
Total non current liabilities		<u>146,738</u>	<u>104,133</u>
Total liabilities		<u>511,405</u>	<u>480,310</u>
Net assets / (liabilities)		<u>37,585</u>	<u>(2,136)</u>
Equity			
Issued capital	15	618,830	618,830
Accumulated losses	16	(581,245)	(620,966)
Total equity		<u>37,585</u>	<u>(2,136)</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 2014

		Issued capital \$	Accumulated Losses \$	Total equity \$
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	24	-	-	-
Balance at 30 June 2013		<u>618,830</u>	<u>(620,966)</u>	<u>(2,136)</u>
Balance at 1 July 2013		618,830	(620,966)	(2,136)
Total comprehensive income for the year		-	39,721	39,721
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	-	-
Balance at 30 June 2014		<u>618,830</u>	<u>(581,245)</u>	<u>37,585</u>

The accompanying notes form part of these financial statements

Hillston & District Financial Services Limited
ABN 44 107 725 977
Statement of cash flows
For the year ended 30 June 2014

	<u>Notes</u>	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		552,941	585,939
Payments to suppliers and employees		(500,881)	(563,185)
Dividend revenue received		1,658	1,504
Interest received		3,901	4,759
Other income		3,483	2,080
Borrowing Costs		(8,874)	(1,830)
Net cash provided by operating activities	17	<u>52,228</u>	<u>29,267</u>
Cash flows from investing activities			
Proceeds from sale of investment		-	7,434
Purchase of property, plant & equipment		(91,357)	(26,181)
Purchase of investments		8,136	(14,926)
Net cash flows used in investing activities		<u>(83,221)</u>	<u>(33,673)</u>
Cash flows from financing activities			
Proceeds from borrowings		70,000	-
Repayment of borrowings		(23,108)	91,837
Net movement WRCFS investment		(9,406)	(9,380)
Net cash provided by financing activities		<u>37,486</u>	<u>82,457</u>
Net increase in cash held		6,493	78,051
Cash and cash equivalents at beginning of financial year		(75,189)	(153,240)
Cash and cash equivalents at end of financial year	17	<u>(68,696)</u>	<u>(75,189)</u>

The accompanying notes form part of these financial statements

Hillston & District Financial Services Limited
ABN 44 107 725 977
Notes to the financial statements
For the year ended 30 June 2014

These 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 24 September 2014.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these 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.

Economic Dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branches at Hillston.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Hillston & District Financial Services Limited
ABN 44 107 725 977
Notes to the financial statements
For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic Dependency (continued)

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- Training for the branch managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can 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.

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For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the even the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Hillston & District Financial Services Limited
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Notes to the financial statements
For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a diminishing method over the estimated asset's useful life to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

<i>Class of asset</i>	<i>Depreciation rate</i>
Buildings	2.5%
Furniture & Equipment	10 - 30%
Plant & equipment	22.5 - 30%
Motor Vehicle	25 - 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

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For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to entities in the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or 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.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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Notes to the financial statements
For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within 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.

(j) 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, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(m) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) New and amended accounting policies adopted by the company

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

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For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(o) New accounting standards for application in future periods

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* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(p) 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 2014

1. Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) Comparative figures

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

(t) 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.

Fair value assessment of non-current physical assets

The new AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

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Notes to the financial statements
For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(t) Critical accounting estimates and judgements (continued)

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 evaluating 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.

(u) 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 (i.e. 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.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal 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*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(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.

Hillston & District Financial Services Limited

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Notes to the financial statements

For the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

Impairment

A financial asset (or group of financial assets) 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(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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.

	2014	2013
	\$	\$
2. Revenue and other income		
Revenue		
- services commissions	510,920	499,785
	<u>510,920</u>	<u>499,785</u>
Other revenue		
- interest received	3,901	4,759
- other revenue	3,484	9,514
	<u>7,385</u>	<u>14,273</u>
Total revenue	<u>518,305</u>	<u>514,058</u>

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For the year ended 30 June 2014

	2014	2013
	\$	\$
3. Expenses		
Employee benefits expense		
- wages and salaries	235,830	247,035
- superannuation costs	28,356	24,452
- other costs	4,459	-
	<u>268,645</u>	<u>271,487</u>
Depreciation of non-current assets:		
- plant and equipment	4,574	5,615
- buildings	2,482	1,100
- property improvements	412	424
- motor vehicles	7,471	5,289
	<u>14,939</u>	<u>12,428</u>
Finance costs:		
- Interest paid	8,874	1,830
Bad debts	7	-
Other expenses		
- Audit fees	6,944	4,040
- Commissions paid	19,831	20,013
- Computer software and supplies	14,725	14,389
- Financial accounting services	11,784	17,115
- Freight & cartage	16,495	16,541
- Insurance	8,559	13,620
- Legal fees	5,919	2,835
- Motor vehicle expenses	7,192	4,632
- Postage, printing & stationary	7,475	7,042
- Travel expenses	6,120	3,612
- other expenses	56,037	57,285
	<u>161,081</u>	<u>161,124</u>
4. Tax Expense		
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	-	-
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	(13,671)	-
- recoupment of prior year tax losses	20,040	15,733
	<u>6,369</u>	<u>15,733</u>

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Notes to the financial statements
For the year ended 30 June 2014

	2014 €	2013 €
4. Tax Expense (continued)		
b. 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% (2013: 30%)	13,827	10,669
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	(7,458)	5,064
<i>Current income tax expense</i>	6,369	15,733
Income tax attributable to the entity	6,369	15,733
The applicable weighted average effective tax rate is	13.82%	44.24%

5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report for the year ended 30 June 2014	4,720	4,520
	4,720	4,520

6. Cash and cash equivalents

Cash at bank and on hand	80	80
Short-term bank deposits*	38,260	36,887
	38,340	36,967

*Average weighted interest rate 3.33% (2013:4.07%) and term 92 days (2013:92 days).

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	38,340	36,967
Bank overdrafts	107,036	112,156
	(68,696)	(75,189)

Hillston & District Financial Services Limited
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Notes to the financial statements
For the year ended 30 June 2014

	2014	2013
	\$	\$
7. Trade and other receivables (continued)		
Current		
Trade debtors	49,801	45,725
Other assets	6,038	2,583
	55,839	48,308

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within this note. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans".

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.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	49,801	-	-	-	-	49,801
Total	49,801	-	-	-	-	49,801
2013						
Trade receivables	45,725	-	-	-	-	45,725
Total	45,725	-	-	-	-	45,725

8. Investments and other financial assets

Current

- Australia term deposits > 3 months*	39,994	56,767
- Listed shares at market value	27,206	18,569
	67,200	75,336

*Average weighted interest rate 3.35% (2013:4.10%) and term 182 days (2013:182 days).

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For the year ended 30 June 2014

	2014	2013
	\$	\$
9. Property, plant and equipment		
<i>Land - 1 Brolga Place</i>	16,000	16,000
<i>Land - 33 Brolga Place</i>	20,000	-
	<u>36,000</u>	<u>16,000</u>
 <i>Buildings</i>		
At cost valuation in 2013	108,466	44,000
Less accumulated depreciation	(3,582)	(1,100)
	<u>104,884</u>	<u>42,900</u>
 <i>Property improvements</i>		
At cost	20,783	18,792
Less accumulated depreciation	(2,714)	(2,302)
	<u>18,069</u>	<u>16,490</u>
 <i>Plant and equipment</i>		
At cost	93,006	88,569
Less accumulated depreciation	(63,808)	(59,234)
	<u>29,198</u>	<u>29,335</u>
 <i>Motor Vehicles</i>		
At cost	47,861	59,504
Less accumulated depreciation	(25,365)	(30,000)
	<u>22,496</u>	<u>29,504</u>
 Total written down amount	<u>210,647</u>	<u>134,229</u>
 Movements in carrying amounts		
 <i>Land</i>		
Balance at the beginning of the reporting period	16,000	16,000
Additions	20,000	-
Disposals	-	-
Balance at the end of the reporting period	<u>36,000</u>	<u>16,000</u>
 <i>Buildings</i>		
Balance at the beginning of the reporting period	42,900	44,000
Additions	64,466	-
Disposals	-	-
Depreciation expense	(2,482)	(1,100)
Balance at the end of the reporting period	<u>104,884</u>	<u>42,900</u>
 <i>Property improvements</i>		
Balance at the beginning of the reporting period	16,490	16,914
Additions	1,991	-
Disposals	-	-
Depreciation expense	(412)	(424)
Balance at the end of the reporting period	<u>18,069</u>	<u>16,490</u>

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For the year ended 30 June 2014

	2014	2013
	\$	\$
9. Property, plant and equipment (continued)		
<i>Plant and equipment</i>		
Balance at the beginning of the reporting period	29,335	33,773
Additions	4,437	1,177
Disposals	-	-
Depreciation expense	(4,574)	(5,615)
Balance at the end of the reporting period	<u>29,198</u>	<u>29,335</u>
<i>Motor Vehicles</i>		
Balance at the beginning of the reporting period	29,504	9,789
Additions	463	25,004
Disposals	-	-
Depreciation expense	(7,471)	(5,289)
Balance at the end of the reporting period	<u>22,496</u>	<u>29,504</u>
10. Trade and other payables		
Current		
Unsecured liabilities:		
Trade creditors	10,832	17,990
Other creditors and accruals	21,236	19,807
	<u>32,068</u>	<u>37,797</u>
11. Borrowings		
Current		
Chattel mortgage	10,816	13,907
Less: Unexpired charges	(1,089)	(1,757)
	<u>9,727</u>	<u>12,150</u>
Bank overdraft	107,036	112,156
Bank loan	6,710	-
	<u>113,746</u>	<u>112,156</u>
The company has an overdraft facility of \$130,700 which is subject to normal commercial terms and conditions.		
	<u>123,473</u>	<u>124,306</u>
Non Current		
Bank Loan - interest only	84,666	104,133
Bank Loan	62,072	-
	<u>146,738</u>	<u>104,133</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 \$84,666 (2013:\$104,133) is currently an interest only loan at a rate of 4.695% (2013:4.597%) and is secured by a general security deed.

The term loan \$68,782 is currently on fixed principal & interest loan at a rate of 7.29% and is secured by mortgage over land & buildings.

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	2014	2013
	\$	\$
12. WRCFS Interest		
Shared net liability of the WRCFS Joint Venture	<u>163,557</u>	<u>172,963</u>
<p>This balance represents the company's share of the net amount of assets and liabilities of Western Riverina Community Services Partnership.</p>		
13. Provisions		
Employee benefits	<u>45,569</u>	<u>41,111</u>
Movement in employee benefits		
Opening balance	41,111	24,167
Additional provisions recognised	18,141	19,003
Amounts utilised during the year	<u>(13,683)</u>	<u>(2,059)</u>
Closing balance	<u>45,569</u>	<u>41,111</u>
Current		
Annual leave	19,396	17,676
Long-service leave	<u>26,173</u>	<u>23,435</u>
	<u>45,569</u>	<u>41,111</u>
Provision for employee benefits		
<p>Provision for employee benefits represents amounts accrued for annual leave and long service leave.</p> <p>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.</p> <p>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.</p>		
14. Taxation		
Tax Asset		
Non current		
Deferred tax asset comprise:		
- carried forward losses	163,293	183,334
- provisions	<u>13,671</u>	<u>-</u>
	<u>176,964</u>	<u>183,334</u>

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	2014	2013
	\$	\$
15. Share capital		
618,830 Ordinary shares fully paid of \$1 each	618,830	618,830
Less: Equity raising costs	-	-
	<u>618,830</u>	<u>618,830</u>
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 2014 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.

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	2014	2013
	\$	\$
16. Accumulated losses		
Balance at the beginning of the reporting period	(620,966)	(640,796)
Profit after income tax	39,721	19,830
Balance at the end of the reporting period	<u>(581,245)</u>	<u>(620,966)</u>

17. Statement of cash flows

(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

As per the statement of financial position	38,340	36,967
less Bank overdraft	<u>(107,036)</u>	<u>(112,156)</u>
As per the statement of cash flow	<u>(68,696)</u>	<u>(75,189)</u>

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

Profit after income tax	39,721	19,830
Non cash items		
- Depreciation	14,939	12,428
- 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	(7,530)	43,080
- (Increase) decrease in deferred tax asset	6,369	15,733
- Increase (decrease) in payables	(5,729)	(66,543)
- Increase (decrease) in provisions	4,458	16,944
Net cash flows from/(used in) operating activities	<u>52,228</u>	<u>29,267</u>

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft amounting to \$130,700 (2013: \$130,700). This may be terminated at any time at the option of the bank. At 30 June 2014, \$107,036 of this facility was used (2013: \$112,156). Variable interest rates apply to these overdraft and bill facilities.

18. 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. No director of the company receives remuneration for services as a company director or committee member. There are no executives within the company whose remuneration as required to be disclosed.

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18. Related party transactions (continued)

(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. Graeme May is a proprietor of Hillston Tyre Service of which \$550 was paid for services performed on normal terms and conditions.

(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 and 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 and Adelaide Bank Ltd shares and there is no qualification period to qualify to utilise 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 2014. The estimated benefits per Director is as follows:

(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:

	2014	2013
Graeme May	8,000	4,500
Michael Brettschneider	2,000	2,000
David Fensom	6,000	6,000
Keith Horneman	2,000	2,000
Graeme Lyons	-	-
Natasha Mahy	-	-
Clifford Rose	5,500	5,500
Peter Storrier	2,000	2,000
Sally Redpath	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.

19. Events after the reporting period

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

20. Contingent liabilities and assets

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

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For the year ended 30 June 2014

21. Operating segments

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, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

22. Company details

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

23. Earnings per share

	2014	2013
	\$	\$

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 after income tax expense	<u>39,721</u>	<u>19,830</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>618,830</u>	<u>618,830</u>

24. Dividends paid or provided for on ordinary shares

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

25. Lease commitments

Operating Lease commitments

Non-cancellable operating lease contracted for but not capitalised in the financial statements.

- Rent building 174 High Street Hillston

Payable - minimum lease payments		
No later than 12 months	6,622	6,469
Between 12 months and 5 years*	26,608	1,078
Greater than 5 years	1,108	-
	<u>34,338</u>	<u>7,547</u>

*Future rental commitments are based on current rates, however in accordance with the rental agreement the current rates will increase in line with the CPI each year. The property lease commitment is a non cancellable operating lease with a term of 2 years, 4 months and 15 days, with rent payable monthly in advance. An option exists to renew the lease at the end of the term for an additional five year term which on expiry has an option for another additional 5 years. The first option was exercised on 2nd July 2014 to commence 3rd September 2014.

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26. Fair value measurements

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- shares in listed companies

The company subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis.

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation Techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

a. Fair value hierarchy (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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26. Fair value measurements (continued)

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		30 June 2014			
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
<i>Securities held for trading (fair value through profit or loss)</i>					
- financial sector					
		27,206	-	-	27,206
Total non-financial assets recognised at fair value on a recurring basis					
		27,206	-	-	27,206
Non-recurring fair value measurements					
		-	-	-	-
		30 June 2013			
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
<i>Securities held for trading (fair value through profit or loss)</i>					
- financial sector					
		18,569	-	-	18,569
Total non-financial assets recognised at fair value on a recurring basis					
		18,569	-	-	18,569
Non-recurring fair value measurements					
		-	-	-	-

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27. 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:

	Note	2014 \$	2013 \$
Financial assets			
Cash and cash equivalents	6	38,340	36,967
Trade and other receivables	7	55,839	48,308
Investments and other financial assets	8	67,200	75,336
Total financial assets		<u>161,379</u>	<u>160,611</u>
Financial liabilities			
Trade and other payables	10	32,068	37,797
Borrowings	11	163,175	116,283
Bank overdraft	11	107,036	112,156
Total financial liabilities		<u>302,279</u>	<u>266,236</u>

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 main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial 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. 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 (2013: 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.

Hillston & District Financial Services Limited
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Notes to the financial statements
For the year ended 30 June 2014

27. Financial risk management (continued)

(a) Credit risk (continued)

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.

	2014	2013
	\$	\$
Cash and cash equivalents:		
A rated	38,340	36,967

(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 and Adelaide Bank Limited.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider there is any material risk the bank will terminate such facilities. The Bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due					
Trade and other payables	10	32,068	32,068	-	-
Bank overdraft	11	107,036 *	107,036	-	-
Loans and borrowings	11	163,175	9,727	153,448	-
Total expected outflows		302,279	148,831	153,448	-
Financial assets - realisable					
Cash & cash equivalents	6	38,340	38,340	-	-
Trade and other receivables	7	55,839	55,839	-	-
Investment and other financial assets	8	67,200	67,200	-	-
Total anticipated inflows		161,379	161,379	-	-
Net (outflow)inflow on financial instruments		(140,900)	12,548	153,448	-

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27. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2013		Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due					
Trade and other payables	10	37,797	37,797	-	-
Bank overdraft	11	112,156	112,156	-	-
Loans and borrowings	12	116,283 *	12,150	104,133	-
Total expected outflows		<u>266,236</u>	<u>162,103</u>	<u>104,133</u>	<u>-</u>
Financial assets - realisable					
Cash & cash equivalents	6	36,967	36,967	-	-
Trade and other receivables	7	48,308	48,308	-	-
Investments and other financial as	8	75,336	75,336	-	-
Total anticipated inflows		<u>160,611</u>	<u>160,611</u>	<u>-</u>	<u>-</u>
Net (outflow)/inflow on financial instruments		<u>(105,625)</u>	<u>(1,492)</u>	<u>104,133</u>	<u>-</u>

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

(c) Market risk

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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

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 reasonably possible.

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27. Financial risk management (continued)

(c) Market risk (continued)

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

Year ended 30 June 2014	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	<u>(687)</u>	<u>(687)</u>
	<u><u>(687)</u></u>	<u><u>(687)</u></u>
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	<u>(1,348)</u>	<u>(1,348)</u>
	<u><u>(1,348)</u></u>	<u><u>(1,348)</u></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

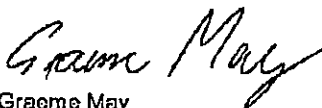
The fair values of financial assets and liabilities approximate the carrying values as disclosed in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arms length transaction. The company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

Hillston & District Financial Services Limited
ACN 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, as set out on pages 6 to 36 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 2014 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.


Graeme May
Director

Signed at Hillston on 24th September 2014.

**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 2014, 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.

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 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 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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


P. P. DELAHUNTY
Partner

Dated at Bendigo, 26th of September 2014