

North Richmond **Community Bank®** Branch

annual report 2011

Hawkesbury Community Financial Services Limited

ABN 97 099 838 463

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Chairman's Report

For year ending 30 June 2011

Results

The Company's profit for the year before tax of \$332,777 was derived from an increase in revenue of 3.44% with an increase in expenses of 16.39%.

The total banking business increased by \$4.42 million to \$115.09 million.

Your Board is pleased to announce that a final fully franked dividend of 14 cents per \$1 share was approved at our August Board Meeting. It is proposed to pay the dividend before the end of this calendar year. This will bring the total of dividends paid in the last six years to over \$400,000.

Our audited accounts follow in this Annual Report.

External Factors

The flow on from the Global Financial Crisis (GFC) continues to have an effect with unsettled financial markets around the world. The direct consequence to the Company is the reduction in commission earnings for certain products from April 2011 as announced to shareholders and the market by our disclosure statement in April.

Community

Our mission to provide benefits to our community continues with a return through donations and sponsorships of \$148,314 in the 2010/11 financial year.

Staff

Our staff continues to walk the talk with our community engagement objectives as well as providing the service to our customers that is expected from our **Community Bank**[®] branch. They continue to deliver Meals on Wheels and again supported the annual Cancer Council Relay for Life. The provision of blankets to Meals on Wheels customers and CPR training nights were also staff initiatives.

Manager

Our inaugural Manager Denise Handcock has decided to retire after nine years at the helm and will be leaving us on 30 September. Denise has achieved much in her time with us both in the growth of the business and community contributions and for this we thank her. It is hoped that she will enjoy a well-earned break and that we will see her involved with your Company in some way in the future.

Your Board is pleased to advise that after interviewing a number of strong candidates we have appointed Tony Weller as the new Manager. Tony lives in Bligh Park and grew up in the Hawkesbury. He is married with three children. Tony will start on 29 September and brings many years of experience in branch management and other banking roles to his new position.

Directors

As you all know the Directors are, in the tradition of the **Community Bank®** model, unpaid and give their time and expertise to oversee the governance of the Company. They, together with our staff, deserve your thanks for this and I thank them all for their support and assistance.



Trevor Hitchcock FAICD
Chairman



Manager's Report

For year ending 30 June 2011

The strength of our **Community Bank**[®] branch and our community engagement demonstrates we are an extremely powerful and alternative banking model, both locally and nationally. Since our opening in September 2002 our branch alone has contributed more than \$660,000 to community projects within the Hawkesbury. This is a testament to the ongoing dedication of our directors, staff, shareholders, customers and our Bendigo and Adelaide Bank partners. I would like to personally thank each and every one of you for your outstanding commitment and contribution, which directly feeds into the prosperity of our local economy.

As we enter our 10th year of trade, the business continues to grow in book value, customer numbers and relevance to our community. We not only provide strong relevant financial services we also support our youth, the aged, cultural events and local organizations including sporting clubs and the Rural Fire Service. Whether it is local high school students attending a weekend Leadership Forum; people with disabilities learning to sail; new hospital beds for the local nursing home or Readers for our Kindy kids, each and every contribution we make adds significant value to the recipients and their families. This is as a direct result of local residents and businesses choosing to conduct their banking business with North Richmond **Community Bank**[®] Branch. Our customers provide us with a high level of respect and trust. Not only trust with their money but also trust us to do the right thing by our community. These core values are demonstrated every day in what we do and how we do it.

Our success will continue if we tell "our story" so that those who hear it understand the value and contribution their banking business can make to our community. Spread the word to your family, your friends, to all who will listen to ensure the continued success, growth and relevance of our bank branch, the North Richmond **Community Bank**[®] Branch of Bendigo Bank.



Denise Handcock
Manager



Hawkesbury Community Financial Services Limited

Financial Statements

as at

30 June 2011



Directors' Report

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Directors Report

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

Directors

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

Trevor George Hitchcock
Chairman
Company Director

Phillip John Isaacs
Director
Retired

Lesley Jean Carbery
Director
Company Director

Brendon Watsford Rogers (Resigned 25 October 2010)
Director
Company Director

William John Kerr
Director
Management Consultant

Martin Howard Burton
Director
Retired

Rachael Goldsworthy
Director
Real Estate Agent

Robert Edward Bennell Peirce (Appointed 29 March 2011)
Director
Accountant

William Brian Russell (Appointed 29 March 2011)
Director
Retired

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

Principal activities

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

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

Review of Operations

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$230,419 (2010: \$280,041).

Dividends

A franked dividend of 14 cents per share was paid during the financial year ending 30 June 2011.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Directors Report

Significant events after the balance date

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

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

Likely Developments

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

Remuneration Report

Loss Management Services Pty Ltd, a company of which Lesley Carbery is a director, has received \$412 (2010: \$5,787) for the maintenance of the Company share registry for the year ended 30 June 2011

No other 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.

Indemnification and Insurance of Directors and Officers

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

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

Company Secretary

Lesley Jean Carbery was appointed company secretary in February 2008. Her qualifications and experience include, BA (Hons), GradDiplFinMgt, GradDipACG, FCIS.

Corporate Governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Current members of the audit committee are Trevor Hitchcock, Martin Burton, Lesley Carbery and Robert Peirce;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Directors' Report continued

Hawkesbury Community Financial Services Limited ABN 97 099 838 463 Directors Report

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Trevor George Hitchcock	14 (14)	2 (2)
Phillip John Isaacs	11 (14)	N/A
Brendon Watsford Rogers (Resigned 25 October 2010)	0 (3)	1 (1)
Lesley Jean Carbery	13 (14)	1 (1)
William John Kerr	13 (14)	N/A
Rachael Goldsworthy	10 (14)	N/A
Martin Howard Burton	13 (14)	1 (2)
Robert Edward Bennell Peirce (Appointed 29 March 2011)	2 (3)	1 (1)
William Brian Russell (Appointed 29 March 2011)	2 (3)	N/A

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

N/A - not a member of that Committee.

Auditor Independence Declaration

The directors received the following declaration from the auditor of the Company:



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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

Auditor's Independence Declaration

In relation to our audit of the financial report of Hawkesbury Community Financial Services Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
22 August 2011

Signed in accordance with a resolution of the Board of Directors of Hawkesbury Community Financial Services Ltd on 22 August 2011.

Trevor Hitchcock, Chairman

Financial Statements

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Comprehensive Income
for the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Revenues from continuing operations	2	1,162,196	1,123,558
Employee benefits expense	3	(415,784)	(367,130)
Depreciation and amortisation expense	3	(30,141)	(31,818)
Finance costs	3	(12,003)	(12,478)
Charitable donations and sponsorship		(148,314)	(123,771)
Other expenses		<u>(223,177)</u>	<u>(177,400)</u>
Profit before income tax expense		332,777	410,961
Income tax expense	4	<u>102,358</u>	<u>130,920</u>
Profit after income tax expense		230,419	280,041
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>230,419</u></u>	<u><u>280,041</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	22	36.87	44.81
- diluted for profit for the year	22	36.87	44.81

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Financial Position
As at 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	6	1,113,223	973,484
Receivables	7	97,727	102,193
Total Current Assets		<u>1,210,950</u>	<u>1,075,677</u>
Non-Current Assets			
Property, plant and equipment	8	415,628	434,322
Intangible assets	9	9,996	20,000
Total Non-Current Assets		<u>425,624</u>	<u>454,322</u>
Total Assets		<u>1,636,574</u>	<u>1,529,999</u>
Current Liabilities			
Payables	10	44,655	45,051
Current tax payable	4	13,408	44,093
Loans and borrowings	11	15,047	13,525
Provisions	12	55,774	47,483
Total Current Liabilities		<u>128,884</u>	<u>150,152</u>
Non-Current Liabilities			
Loans and borrowings	11	114,913	129,988
Total Non-Current Liabilities		<u>114,913</u>	<u>129,988</u>
Total Liabilities		<u>243,797</u>	<u>280,140</u>
Net Assets		<u>1,392,777</u>	<u>1,249,859</u>
Equity			
Share capital	13	625,009	625,009
Retained earnings	14	692,768	549,850
Asset revaluation reserve		75,000	75,000
Total Equity		<u>1,392,777</u>	<u>1,249,859</u>

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Cash Flows
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,236,601	1,197,521
Cash payments in the course of operations		(895,595)	(776,875)
Interest paid		(12,003)	(12,478)
Interest received		46,276	27,935
Income tax paid		(133,043)	(121,161)
Net cash flows from operating activities	15b	<u>242,236</u>	<u>314,942</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,443)	(2,200)
Net cash flows used in investing activities		<u>(1,443)</u>	<u>(2,200)</u>
Cash Flows From Financing Activities			
Dividends paid		(87,501)	(68,751)
Repayment of borrowings		(13,553)	(12,799)
Net cash flows used in financing activities		<u>(101,054)</u>	<u>(81,550)</u>
Net increase (decrease) in cash held		139,739	231,192
Cash and cash equivalents at start of year		973,484	742,292
Cash and cash equivalents at end of year	15a	<u><u>1,113,223</u></u>	<u><u>973,484</u></u>

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Changes in Equity
For the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
SHARE CAPITAL			
Balance at start of year		625,009	625,009
Issue of share capital		-	-
Share issue costs		<u>-</u>	<u>-</u>
Balance at end of year		<u><u>625,009</u></u>	<u><u>625,009</u></u>
RETAINED EARNINGS			
Balance at start of year		549,850	338,560
Profit after income tax expense		230,419	280,041
Dividends paid	21	<u>(87,501)</u>	<u>(68,751)</u>
Balance at end of year		<u><u>692,768</u></u>	<u><u>549,850</u></u>
ASSET REVALUATION RESERVE			
Balance at start of year		75,000	75,000
Revaluation of building		<u>-</u>	<u>-</u>
Balance at end of year		<u><u>75,000</u></u>	<u><u>75,000</u></u>

The accompanying notes form part of these financial statements

Notes to the Financial Statements

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
For the year ended 30 June 2011

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Hawkesbury Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

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

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

The financial statements were authorised for issue by the Directors on 22 August 2011.

(b) Statement of compliance

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

(c) Significant accounting policies

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

Income tax

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

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

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

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
For the year ended 30 June 2011

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

Income tax (continued)

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

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

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value. Land and buildings have been measured at fair value.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Plant & Equipment	2.5% - 25%

Impairment

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

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

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

Goods and services tax

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

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
For the year ended 30 June 2011

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

Goods and services tax (continued)

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

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

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

Employee Benefits

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

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

Intangibles

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

Cash

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

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

Revenue

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

Receivables and Payables

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

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
For the year ended 30 June 2011

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

Loans and Borrowings

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

Provisions

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

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

Share Capital

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

Comparative Figures

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

2. Revenue from continuing operations

	2011 \$	2010 \$
Operating activities		
- services commissions	1,115,356	1,093,610
- other revenue	564	2,013
	<u>1,115,920</u>	<u>1,095,623</u>
Non-operating activities:		
- interest received	46,276	27,935
	<u>46,276</u>	<u>27,935</u>
	<u>1,162,196</u>	<u>1,123,558</u>

3. Expenses

Employee benefits expense		
- wages and salaries	333,398	269,216
- superannuation costs	54,898	73,086
- workers' compensation costs	1,123	844
- other costs	26,365	23,984
	<u>415,784</u>	<u>367,130</u>
Depreciation of non-current assets:		
- plant and equipment	10,231	11,912
- buildings	6,188	6,188
- fit out	3,718	3,718
Amortisation of non-current assets:		
- intangibles	10,004	10,000
	<u>30,141</u>	<u>31,818</u>

Notes to the Financial Statements continued

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
For the year ended 30 June 2011

3. Expenses (continued)	2011	2010
	\$	\$
Finance Costs:		
- Interest paid	12,003	12,478
Bad debts	293	1,205
4. Income Tax Expense		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit at 30%	99,833	123,288
Add tax effect of:		
- Non-deductible expenses	2,487	1,757
- Underprovision of prior year tax	38	6,205
Less tax effect of:		
- Other deductible expenses	-	(330)
<i>Current income tax expense</i>	<u>102,358</u>	<u>130,920</u>
Income tax expense	<u>102,358</u>	<u>130,920</u>
Tax liabilities		
Current tax payable	<u>13,408</u>	<u>44,093</u>
5. Auditors' Remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry and printing services	2,561	1,463
- Preparation and lodgement of taxation return	500	450
	<u>6,961</u>	<u>5,813</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	<u>1,113,223</u>	<u>973,484</u>
7. Receivables		
Trade debtors	<u>97,727</u>	<u>102,193</u>

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
For the year ended 30 June 2011

8. Property, Plant and Equipment	2011	2010
	\$	\$
<i>Land</i>		
Land at cost	107,500	107,500
<i>Buildings</i>		
At cost of construction	172,500	172,500
Revaluation buildings *	75,000	75,000
Less accumulated depreciation	(45,754)	(39,566)
	<u>201,746</u>	<u>207,934</u>
<i>Fit Out</i>		
At cost	74,366	74,366
Less accumulated depreciation	(29,744)	(26,026)
	<u>44,622</u>	<u>48,340</u>
<i>Plant and equipment</i>		
At cost	142,457	155,437
Less accumulated depreciation	(80,697)	(84,889)
	<u>61,760</u>	<u>70,548</u>
Total written down amount	<u>415,628</u>	<u>434,322</u>

* Revaluation based on valuation completed by Hausfeld Johnson (Property Advisors & Valuers) on 11 July 2005 and confirmed by Directors as still appropriate in 2011.

Movements in carrying amounts

<i>Land</i>		
Carrying amount at beginning of year	107,500	107,500
Additions	-	-
Disposals	-	-
Carrying amount at end of year	<u>107,500</u>	<u>107,500</u>
<i>Building</i>		
Carrying amount at beginning of year	207,934	214,122
Additions	-	-
Disposals	-	-
Revaluation buildings	-	-
Depreciation expense	(6,188)	(6,188)
Carrying amount at end of year	<u>201,746</u>	<u>207,934</u>
<i>Fit Out</i>		
Carrying amount at beginning of year	48,340	52,058
Additions	-	-
Disposals	-	-
Depreciation expense	(3,718)	(3,718)
Carrying amount at end of year	<u>44,622</u>	<u>48,340</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	70,548	80,490
Additions	1,443	2,200
Disposals	-	(230)
Depreciation expense	(10,231)	(11,912)
Carrying amount at end of year	<u>61,760</u>	<u>70,548</u>

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
For the year ended 30 June 2011

9. Intangible Assets	2011	2010
	\$	\$
<i>Franchise Fee</i>		
At cost	10,000	10,000
Less accumulated amortisation	(8,000)	(6,000)
	<u>2,000</u>	<u>4,000</u>
<i>Preliminary Expenses</i>		
At cost	40,000	40,000
Less accumulated amortisation	(32,004)	(24,000)
	<u>7,996</u>	<u>16,000</u>
	<u>9,996</u>	<u>20,000</u>
 10. Payables		
Trade creditors	19,897	15,440
GST payable	24,758	29,611
	<u>44,655</u>	<u>45,051</u>
 11. Loans and Borrowings		
<i>Current</i>		
Bank Loan - secured	<u>15,047</u>	<u>13,525</u>
<i>Non-Current</i>		
Bank Loan - secured	<u>114,913</u>	<u>129,988</u>
	<u>129,960</u>	<u>143,513</u>
Bank loans are repayable monthly with the final instalment due on 10/03/2018. The loans are secured by mortgage over the freehold land and building of the company.		
 12. Provisions		
Employee benefits	<u>55,774</u>	<u>47,483</u>
Movement in employee benefits		
Opening balance	47,483	41,597
Additional provisions recognised	17,860	7,021
Amounts utilised during the year	(9,569)	(1,135)
Closing balance	<u>55,774</u>	<u>47,483</u>
 13. Share Capital		
625,009 Ordinary Shares fully paid of \$1 each	<u>625,009</u>	<u>625,009</u>
 14. Retained Earnings		
Balance at the beginning of the financial year	549,850	338,560
Profit after income tax	230,419	280,041
Dividends paid	(87,501)	(68,751)
Balance at the end of the financial year	<u>692,768</u>	<u>549,850</u>

Hawkesbury Community Financial Services Limited
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15. Statement of Cash Flows	2011	2010
	\$	\$
(a) Cash and cash equivalents		
Cash assets	<u>1,113,223</u>	<u>973,484</u>
(b) Reconciliation of profit after tax to net cash used in operating activities		
Profit after income tax	230,419	280,041
Non cash items		
- Depreciation	20,137	21,818
- Amortisation	10,004	10,000
- Fixed assets written off	-	230
Changes in assets and liabilities		
- (Increase) decrease in receivables	4,466	(6,799)
- Increase (decrease) in payables	(396)	(5,993)
- Increase (decrease) in provisions	8,291	5,886
- Increase (decrease) in current tax payable	(30,685)	9,759
Net cashflows from / (used in) operating activities	<u>242,236</u>	<u>314,942</u>

16. Director and Related Party Disclosures

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

Trevor George Hitchcock
Phillip John Isaacs
Brendon Watsford Rogers (Resigned 25 October 2010)
Lesley Jean Carbery
William John Kerr
Rachael Goldsworthy
Martin Howard Burton
Robert Edward Bennell Peirce (Appointed 29 March 2011)
William Brian Russell (Appointed 29 March 2011)

Loss Management Services Pty Ltd, a company of which Lesley Carbery is a director, has received \$412 (2010: \$5,787) for the maintenance of the Company share registry for the year ended 30 June 2011. No other director or related entity has entered into a material contract with the Company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	2011	2010
Trevor George Hitchcock	11,001	11,001
Phillip John Isaacs	5,001	5,001
Brendon Watsford Rogers (Resigned 25 October 2010)	1	1
Lesley Jean Carbery	5,000	5,000
William John Kerr	-	-
Rachael Goldsworthy	-	-
Martin Howard Burton	-	-
Robert Edward Bennell Peirce (Appointed 29 March 2011)	-	-
William Brian Russell (Appointed 29 March 2011)	-	-

Other than as shown above there was no movement in directors and related parties shareholdings during the year. Each share held is valued at \$1 and is fully paid.

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17. Subsequent Events

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

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

18. Contingent Liabilities and Assets

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

19. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Hawkesbury, NSW.

20. Corporate Information

Hawkesbury Community Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is:

Shops 7 & 8
 36 Riverview Street
 North Richmond NSW 2754

21. Dividends paid or provided for on ordinary shares

	2011 \$	2010 \$
(a) Dividends paid during the year		
Franked dividends - 14 cents per share (2010: 11 cents)	<u>87,501</u>	<u>68,751</u>
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 14 cents per share (2010: 14 cents)	<u>87,501</u>	<u>87,501</u>
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	331,521	235,979
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	13,408	44,093
- Franking debits that will arise from the payment of dividends proposed and recognised as a liability at the end of the financial year	<u>344,929</u>	<u>-</u>
	<u>344,929</u>	<u>280,072</u>

The tax rate at which dividends paid have been franked is 30% (2010: 30%).
 Dividends proposed will be franked at a rate of 30% (2010: 30%).

Hawkesbury Community Financial Services Limited
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For the year ended 30 June 2011

22. Earnings per share

	2011	2010
	\$	\$

Basic earnings per share amounts are calculated by dividing profit 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 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>230,419</u>	<u>280,041</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>625,009</u>	<u>625,009</u>

Hawkesbury Community Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2011

23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit Risk

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

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

	Carrying Amount	
	2011	2010
	\$	\$
Cash assets	1,113,223	973,484
Receivables	97,727	102,193
	<u>1,210,950</u>	<u>1,075,677</u>

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

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

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

(b) Liquidity risk

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

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

Hawkesbury Community Financial Services Limited
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Notes to the Financial Statements
For the year ended 30 June 2011

23. Financial risk management (continued)

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2011					
Payables	44,655	(44,655)	(44,655)	-	-
Loans and borrowings	129,960	(172,044)	(25,488)	(101,952)	(44,604)
	<u>174,615</u>	<u>(216,699)</u>	<u>(70,143)</u>	<u>(101,952)</u>	<u>(44,604)</u>
30 June 2010					
Payables	45,051	(45,051)	(45,051)	-	-
Loans and borrowings	143,513	(201,996)	(26,064)	(104,256)	(71,676)
	<u>188,564</u>	<u>(247,047)</u>	<u>(71,115)</u>	<u>(104,256)</u>	<u>(71,676)</u>

(c) Market risk

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

Interest Rate Risk

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

Sensitivity analysis

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

	Carrying Amount	
	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	625,000	625,000
Financial liabilities	-	-
	<u>625,000</u>	<u>625,000</u>
Variable rate instruments		
Financial assets	488,223	348,484
Financial liabilities	(129,960)	(143,513)
	<u>358,263</u>	<u>204,971</u>

Fair value sensitivity analysis for fixed rate instruments

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

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

23. Financial risk management (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

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

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

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

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

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

Directors' Declaration

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Directors' Declaration

In accordance with a resolution of the directors of Hawkesbury Community Financial Services Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Trevor Hitchcock, Chairman

Signed at Hawkesbury on 22 August 2011.

Independent Audit Report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF HAWKESBURY COMMUNITY
FINANCIAL SERVICES LIMITED**

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Hawkesbury Community Financial Services Limited, for the year ended 30 June 2011.

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

Audit approach

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

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

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

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

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

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

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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ABN 60 616 244 309

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INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion, the financial report of Hawkesbury Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahanty

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants

W. J. Sinnott

W. J. SINNOTT

Partner

Bendigo

Date: 22 August 2011

North Richmond **Community Bank**[®] Branch
Shops 7 & 8, McNair Shopping Centre, 36 Riverview Street,
North Richmond NSW 2754
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Franchisee: Hawkesbury Community Financial Services Limited
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(BMPAR11021) (07/11)