

North Richmond **Community Bank®** Branch
Shops 7 & 8, 36 Riverview Street,
NORTH RICHMOND NSW 2754
Phone: (02) 4571 2988 Fax: (02) 4571 3588
Email: <NorthRichmondMailbox@bendigobank.com.au>

Richmond Community Bank® Sub-Branch
Shops 7 & 8, Richmond Mall.
271 Windsor Street,
RICHMOND NSW 2753
Phone: (02) 4578 0055 Fax: (02) 4578 0600
Email: <RichmondMailbox@bendigobank.com.au>

Franchisee: Hawkesbury Community Financial Services Limited
PO Box 340,
NORTH RICHMOND NSW 2754
Phone: (02) 4571 2988 Fax: (02) 4571 3588
www.hcfs.net.au

Share Registry:
RSD Chartered Accountants
PO Box 30
BENDIGO VIC 3552

www.bendigobank.com.au/public/community/our-branches/north-richmond
www.facebook.com/NorthRichmondCommunityBankBranch
Website: www.hcfs.net



bendigobank.com.au



Annual Report 2016

Hawkesbury Community Financial Services Limited

ABN 97 099 838 463

North Richmond and Richmond Community Bank® Branches

Hawkesbury Community Financial Services Limited

Annual Report 2016

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Chairman's Report

It is my pleasant responsibility to report on the progress of Hawkesbury Community Financial Services Limited (the company) during the year ended 30 June 2016.



In so doing, I particularly wish to thank the former Chair, Trevor Hitchcock for the ongoing assistance and mentoring he has freely given to me during this past year.

Results

In the 2015/16 financial year, the company experienced a growth in banking business of \$31.2 million and moved from the loss position in the previous year, resulting from the establishment of the Richmond branch to realise a profit of \$69,805.00 This is a significant improvement which justifies the patience and perseverance shown by all connected with the development of the Richmond branch and is assisted by the loyalty of the customers of the North Richmond **Community Bank®** Branch.

During the last fiscal year, the Richmond operation was converted from sub-branch to full branch status.

I am pleased to report that our two branches are currently the most successful branches in our region for loans and lending growth. Our Manager, Mr Tony Weller and his staff are to be congratulated for their efforts in achieving this position.

The Board is pleased to announce that it has approved a final fully franked dividend of 14 cents per share and this will be paid at the end of December 2016.

Information on Changes to financial model

A core principle of the **Community Bank®** model is a 50/50 share of margin earned on core banking products. To better reflect this core principle, a new Revenue Share model was introduced from 1 July 2016.

Bendigo and Adelaide Bank Ltd (BEN) has adopted a Funds Transfer Pricing (FTP) model for **Community Bank®** Revenue Share, effective 1 July 2016. BEN applies its FTP methodology to regulatory reporting, performance management and revenue share. The FTP model:

- is a method used to measure how much each account or product is contributing to overall profitability, given a current cost of marginal funding.
- gives the BEN Group a better understanding of the net interest margin component of overall profitability.
- assigns a FTP rate based on the repricing characteristics and behavioural duration of products.

The BEN FTP revenue share sources **Community Bank®** product data and then applies BENs FTP rates to calculate revenue share for each **Community Bank®** branch by core banking product i.e. loans and deposits. The BEN FTP revenue share is reported to each **Community Bank®** company on a monthly basis.

The FTP methodology is reviewed annually with changes approved by BEN's Asset & Liability Management Committee (ALMAC). BEN's Board Risk Committee approves changes to the FTP Policy.

The Board has carried out modelling of the new FTP method based on historical data and is confident that it will enable our company to improve its profitability. However, transitional support arrangements have been made by BEN for those companies adversely affected by these changes to the financial model, for a maximum period of up to three years.

Community

The Board has continued to honour its commitment to the people of the Hawkesbury to provide benefits to the community and we have been able to assist many local sporting, educational and cultural organisations to provide improved facilities for their members and the members of the community they seek to serve.

Many of these organisations and their members have become customers of our branches.

Staff

Our staff is deserving of our highest praise for their ongoing commitment to our aims and goals and their unstinting friendly service to our customers.

The Board values the assistance given by all staff and in particular those following the following positions:

- Our Manager, Tony Weller acts as Chair of the Community Relations Committee assessing requests for grants.
- Kellie Scholte support to the Company Secretary in taking minutes of Board meetings and with various administrative tasks.
- Liz Griffiths' valuable contribution in assisting the Treasurer and attending to payment of accounts is greatly appreciated.

Tony and Chris continue to divide their time between North Richmond and Richmond and support Gail who oversees the Richmond branch and has been active in seeking out new customers.

Directors

Grateful thanks to our Directors who serve on a voluntary basis and devote much time and effort to their various roles on the Board bringing their own experience and expertise to the matters on which the Board deliberates.

We welcome to the Board our new director, Lyndal Spence who in addition to her impressive academic record brings youthful enthusiasm and energy to the table.

Regrettably, John MacFarlane who has served as a Director of the company for many years is retiring and moving away from the Hawkesbury. John's much valued contributions of business acumen, attention to detail and his unfailing common sense approach will be sadly missed. We wish him a long, healthy and fulfilling retirement.

The Future

Your Directors are ever mindful of the need to develop the business. Together with our dedicated and friendly staff we continue the tasks of promoting and growing the business to benefit the Hawkesbury community through grants, sponsorships and donations.

We thank Shareholders for your support. If you're banking with your **Community Bank®** branch – thank you. If you're not, our staff would welcome the opportunity to discuss with you the many financial products available.



Don Shaddick
Chairman

Three Years for Richmond

What an excellent year for North Richmond **Community Bank®** Branch and Richmond branch with everyone at both branches as well as the Board having worked hard to achieve another great result. Due to the effort put in we have had a combined result of the branches achieving a reasonable profit. This was largely due to an increase in customer connections with the Hawkesbury community. The overall banking business of the combined branches has now grown to over \$215 million.



The growth was spread across both deposit products and lending. Deposits grew by over \$15 million with lending growing by a similar amount. This result must be considered a huge vote of confidence by the local community in the benefits that our local **Community Bank®** branches provide. The competition for business is quite strong and with interest rates reducing over the period people are looking for the best deals. It is currently a period of high competition with reduced margins for the Banks to try and gain the customer. Our point of difference and continued personal service assist us during this period. With great staff, Directors and community support we have shown what can happen when all three parts work well together.

The Directors felt it vital that even with limited profits we continue to support local community groups and organisations to provide better services to our local area. The number of groups we have assisted continues to grow every year and this also reflects how many organisations are out there who give their time to the community. This is always a driving force for the staff and myself as we appreciate that only through a good banking experience and continued growth are the Board able to continue to support the local community groups.

Bendigo Bank has provided us with a few new products during the year to ensure we continue to be a competitive Bank which is able to service all the needs of our customers and attract new clients. Having the products is only one piece of the pie and the others as mentioned above are the great staff and Directors. We rely heavily on word of mouth advertising and feel that if we provide the right kind of service that customers will see the difference and tell their friends and colleagues.

In conclusion I would like to thank the efforts of the staff at both branches who always work tirelessly to provide that exceptional service to all our customers. The ladies are Chris, Kellie, Jo, Liz, Vicki, Sue, Gail, Lisa, Kristy, Rebecca and Emma. All of us are supported by the brilliant volunteer Board of Directors, Don, Trevor, Bill, John, Rowan, Shayne, David and Craig. Their continual support and guidance ensures that both branches are successful and continue to grow and provide benefits to the community.

You can only have a business if you have customers so I would like to thank you all and look forward to another great year. We are always happy to meet and talk to any of customers and assist them in any way we can.

A stylized, handwritten signature in black ink, appearing to read 'Tony Weller'.

Tony Weller
Manager

Hawkesbury Community Financial Services Limited

ABN: 97 099 838 463

Financial Report

As at 30 June 2016

Hawkesbury Community Financial Services Limited

ABN 97 099 838 463

Directors' Report

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Hawkesbury Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Trevor George Hitchcock	
Experience and expertise	Previous director in the UK and South Africa and Australia of: Klippon Electricals, C.A Weidmuller, Quality Electrical Distributors
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Audit Committee member

Craig Bennett	
Experience and expertise	Graduate of AICD and Associate of Corporate Governance Institute. Former Chairman of an industrial company and extensive experience in financial and risk management in global investment banking in Australia and overseas
Other current directorships	Nil
Former directorships in last 3 years	Director and Chairman of APC Socotherm Pty Ltd.
Special responsibilities	Company Secretary, Member - Audit Committee

William John Kerr	
Experience and expertise	<p>With a scientific background and over 35 years in a variety of Australian and international senior corporate, consulting and academic roles, Bill has over 20 years direct experience in the Medical Technology and Pharmaceutical sector (Sandoz, Baxter, Pharmacia; Canada, USA, Australia + many other client countries). He has also been a respected international lecturer in Strategic Management, International Business, Marketing Management, Operations Management and Competitive Intelligence (Australia, China, Hong Kong, Sri Lanka, Malaysia).</p> <p>He has undertaken more than 70 business evaluations and facilitated more than 55 funded research collaborations and has documented links with more than 200 companies and research organisations. Bill has been a Director of Hawkesbury Community Financial Services since 2009.</p> <p>He has a Bachelor of Science (Hon. Microbiology) from the University of Guelph, Canada; a Master of Science (Immunology) from the University of Manitoba, Canada; and an MBA (dux) from the University of Western Sydney; as well as certificates in a wide variety of other management disciplines.</p>
Other current directorships	President – The Bowen Mountain Association Inc
Former directorships in last 3 years	Nil
Special responsibilities	Chair - HR Committee, Member - Community Relations Committee, Scholarship Committee

Hawkesbury Community Financial Services Limited

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Directors' Report

Directors (continued)

John MacFarlane	
Experience and expertise	40 years' experience as an academic and consultant to the public and private sectors primarily in the areas of property, investment and quality assurance. Currently, Associate Professor, School of Computing, Engineering and Mathematics, Western Sydney University. Previously Associate Dean, College of Business, Western Sydney University. Past-President Pacific Rim Real Estate Society
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Member, Audit Committee, Premises Committee, Scholarship Committee

Donald John Shaddick	
Experience and expertise	DipLaw (SAB), Acc Spec, Bus Law Legal Practitioner for 43 years
Other current directorships	Various private companies
Former directorships in last 3 years	Former Director of Richmond Golf Club
Special responsibilities	Chairman - HCFS Limited, Member - Audit Committee, Community Relations Committee

Shanye Ryan	
Experience and expertise	20 Years experience in general management
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Chairman - Premises Committee, Scholarship Committee, Member - Community Relations Committee, HR Committee

Rowan Parker	
Experience and expertise	Undergraduate BBus (Fin)
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Assistant Chairman - HCFS Ltd, Chairman - Audit Committee, Social Media and Public Relations, Member - Community Relations Committee

David Palamara	
Experience and expertise	Senior finance and general management roles of medium sized businesses. Currently providing business management advice as a consultant to similar sized businesses
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Treasurer - HCFS Ltd, Member - Audit Committee, Community Relations Committee

Hawkesbury Community Financial Services Limited

ABN 97 099 838 463

Directors' Report

Directors (continued)

Lyndell Spence	
Experience and expertise	Human Resources Officer, Bachelor of Commerce
Other current directorships	Nil
Former directorships in last 3 years	Student observer - HCFS
Special responsibilities	Member - HR Committee, Community Relations Committee, Scholarship Committee

Louise McMahon	
Experience and expertise	Resigned 23 November 2015
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Nil

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit committee meetings	
	A	B	A	B
Donald John Shaddick	11	10	3	2
Trevor George Hitchcock	11	9	3	2
Craig Bennett	8	7	1	0
William John Kerr	11	9	N/A	N/A
John Douglas MacFarlane	11	10	3	2
Rowan Parker	11	11	3	3
David Palamara	11	11	3	3
Shayne Ryan	11	10	N/A	N/A
Lyndell Spence	1	1	N/A	N/A
Louise McMahon	5	2	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Craig Bennett has been the Company Secretary of Hawkesbury Community Financial Services Limited since 2016.

Craig's qualifications and experience include Graduate of AICD and Associate of Corporate Governance Institute. Former Chairman of an industrial company and extensive experience in financial and risk management in global investment banking in Australia and overseas.

Hawkesbury Community Financial Services Limited

ABN 97 099 838 463

Directors' Report

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was \$69,805 (2015 loss: \$10,760), which is an 749% increase as compared with the previous year.

Dividends

A fully franked final dividend of 14.0 cents per share was declared and paid during the year for the year ended 30 June 2015. A dividend of 14.0 cents per share is proposed for the year ended 30 June 2016.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

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 the end of the reporting period

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.

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.

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

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

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 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, 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 3 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
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* .

Signed in accordance with a resolution of the Board of Directors at North Richmond on 26 September 2016



Donald Shaddick
Director



***INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HAWKESBURY COMMUNITY
FINANCIAL SERVICES LIMITED***

Report on the Financial Report

We have audited the accompanying financial report of Hawkesbury Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Hawkesbury Community 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 Hawkesbury Community 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants


P. P. Delahunty
Partner

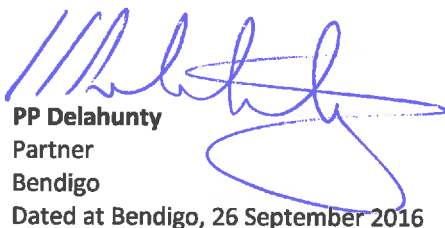
Dated at Bendigo, 29th September 2016

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Hawkesbury Community Financial Services Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 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



PP Delahunty
Partner
Bendigo
Dated at Bendigo, 26 September 2016

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	2	1,338,053	1,184,814
Expenses			
Employee benefits expense	3	(798,374)	(730,405)
Depreciation and amortisation	3	(56,963)	(47,445)
Administration and general costs		(134,250)	(139,103)
Finance costs	3	(3,973)	(4,857)
Bad and doubtful debts expense	3	(2,083)	(3,502)
Occupancy expenses		(90,401)	(89,136)
IT costs		(56,636)	(56,941)
Other expenses		<u>(44,172)</u>	<u>(53,329)</u>
Operating profit before charitable donations and sponsorships		151,201	60,096
Charitable donations and sponsorships		<u>(81,051)</u>	<u>(70,959)</u>
Profit / (loss) before income tax		70,150	(10,863)
Income tax (expense) / benefit	4	<u>(345)</u>	<u>103</u>
Profit / (loss) for the year		69,805	(10,760)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>69,805</u>	<u>(10,760)</u>
Profit / (loss) attributable to members of the company		69,805	(10,760)
Total comprehensive income attributable to members of the company		<u>69,805</u>	<u>(10,760)</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	11.17	(1.72)

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Financial Position
as at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	5	292,769	295,358
Trade and other receivables	6	135,638	106,263
Investments and other Financial assets	7	625,000	625,000
Total current assets		1,053,407	1,026,621
Non-current assets			
Property, plant and equipment	8	486,443	488,708
Intangible assets	9	38,001	39,479
Deferred tax assets	4	25,640	11,003
Total non-current assets		550,084	539,190
Total assets		1,603,491	1,565,811
Liabilities			
Current liabilities			
Trade and other payables	10	67,278	59,266
Current tax liability	4	14,982	-
Borrowings	11	25,985	20,955
Provisions	12	83,857	68,601
Total current liabilities		192,102	148,822
Non-current liabilities			
Borrowings	11	47,498	40,003
Provisions	12	9,166	4,565
Total non-current liabilities		56,664	44,568
Total liabilities		248,766	193,390
Net assets		1,354,725	1,372,421
Equity			
Issued capital	13	625,009	625,009
Retained earnings / (Accumulated losses)	14	654,716	672,412
Reserves	15	75,000	75,000
Total equity		1,354,725	1,372,421

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Issued capital \$	Retained earnings \$	Reserves \$	Total equity \$
Balance at 1 July 2014		625,009	770,673	75,000	1,470,682
Loss for the year		-	(10,760)	-	(10,760)
Other comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year		-	(10,760)	-	(10,760)
Transactions with owners, in their capacity as owners					
Dividends paid or provided	14	<u>-</u>	<u>(87,501)</u>	<u>-</u>	<u>(87,501)</u>
Balance at 30 June 2015		<u>625,009</u>	<u>672,412</u>	<u>75,000</u>	<u>1,372,421</u>
Balance at 1 July 2015		625,009	672,412	75,000	1,372,421
Profit for the year		-	69,805	-	69,805
Other comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year		-	69,805	-	69,805
Transactions with owners, in their capacity as owners					
Dividends paid or provided	14	<u>-</u>	<u>(87,501)</u>	<u>-</u>	<u>(87,501)</u>
Balance at 30 June 2016		<u>625,009</u>	<u>654,716</u>	<u>75,000</u>	<u>1,354,725</u>

Hawkesbury Community Financial Services Limited
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Statement of Cash Flows
for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		1,420,260	1,268,062
Payments to suppliers and employees		(1,309,025)	(1,246,094)
Interest paid		(3,973)	(4,993)
Interest received		18,345	24,017
Income tax paid		-	13,618
Net cash provided by operating activities	16	<u>125,607</u>	<u>54,610</u>
Cash flows from investing activities			
Purchase of investments		(32,946)	-
Purchase of intangible assets		(20,274)	-
Net cash flows used in investing activities		<u>(53,220)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from borrowings		36,000	(19,463)
Repayment of borrowings		(23,475)	
Dividends paid		(87,501)	(87,501)
Net cash used in financing activities		<u>(74,976)</u>	<u>(106,964)</u>
Net decrease in cash held		(2,589)	(52,354)
Cash and cash equivalents at beginning of financial year		295,358	347,712
Cash and cash equivalents at end of financial year	6	<u><u>292,769</u></u>	<u><u>295,358</u></u>

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
for the year ended 30 June 2016

These financial statements and notes represent those of Hawkesbury Community Financial Services Limited.

Hawkesbury Community 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 26 September 2016.

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 North Richmond and Richmond.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation 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.

Hawkesbury Community Financial Services Limited

ABN 97 099 838 463

**Notes to the Financial Statements
for the year ended 30 June 2016**

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/(assets) 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.

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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure 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 asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

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1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

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 (ie 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 (ie 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.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are carried at their fair value (refer note 1 (c)), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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Notes to the Financial Statements
for the year ended 30 June 2016

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 in profit or loss. 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.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of asset</i>	<i>Rate</i>	<i>Method</i>
Buildings	2.5%	SL
Leasehold improvements	2.5%-25%	SL
Plant and equipment	2.5%-25%	SL
Motor vehicles	12.5%	SL

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's 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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Notes to the Financial Statements
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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 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 the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. 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.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

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Notes to the Financial Statements
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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. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations 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) Intangible assets

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

(j) 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.

(k) Revenue and other income

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

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Dividend revenue is recognised when the right to the income has been established.

Rental income is recognised on a straight line basis over the lease term.

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

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**Notes to the Financial Statements
for the year ended 30 June 2016**

1. Summary of significant accounting policies (continued)

(I) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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Notes to the Financial Statements
for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

(I) Investments and other financial assets

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

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Notes to the Financial Statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

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.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) 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.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Hawkesbury Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(o) Borrowings (continued)

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

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

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

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

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

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Notes to the Financial Statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(v) 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 beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a) Financial assets that are debt instruments will be classified based on:
 - (i) the objective of the entity's business model for managing the financial assets; and
 - (ii) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
 - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

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Notes to the Financial Statements
for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(i) AASB 9 *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

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**Notes to the Financial Statements
for the year ended 30 June 2016**

1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(iii) AASB 16: *Leases* (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 *Leases* and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) 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 charges 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.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. 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.

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Notes to the Financial Statements
for the year ended 30 June 2016

	2016 \$	2015 \$
2. Revenue		
Revenue		
- services commissions	<u>1,319,708</u>	<u>1,160,798</u>
	<u>1,319,708</u>	<u>1,160,798</u>
Other revenue		
- interest received	<u>18,345</u>	<u>24,016</u>
	<u>18,345</u>	<u>24,016</u>
Total revenue	<u>1,338,053</u>	<u>1,184,814</u>
3. Expenses		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	683,862	638,227
- superannuation costs	74,686	70,360
- other costs	<u>39,826</u>	<u>21,818</u>
	<u>798,374</u>	<u>730,405</u>
Depreciation and amortisation		
<i>Depreciation</i>		
- buildings	9,906	9,906
- plant and equipment	22,472	20,702
- leasehold improvements	<u>2,833</u>	<u>2,833</u>
	<u>35,211</u>	<u>33,441</u>
Amortisation		
- franchise fees	3,134	2,000
- establishment costs	<u>18,618</u>	<u>12,004</u>
	<u>21,752</u>	<u>14,004</u>
Total depreciation and amortisation	<u>56,963</u>	<u>47,445</u>
Finance costs		
- Interest paid	3,973	4,857
Bad and doubtful debts expenses	2,083	3,502
Auditors' remuneration		
<i>Remuneration of the Auditor for:</i>		
- Audit or review of the financial report	4,600	3,930
- Taxation services	550	-
- Share registry services	<u>3,033</u>	<u>5,130</u>
	<u>8,183</u>	<u>9,060</u>

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Notes to the Financial Statements
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	2016 \$	2015 \$
4. Income tax		
a. The components of tax expense comprise:		
Current tax expense	25,433	-
Deferred tax expense / (income)	7,605	(103)
Recoupment of prior year tax losses	(10,451)	-
Over provision of prior years	(22,242)	-
	345	(103)
b. Prima facie tax payable		
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 28.5% (2015: 30%)	19,993	(3,259)
Add tax effect of:		
- Non-deductible expenses	-	3,156
- Over provision of prior years	(22,242)	-
- Change in company tax rates	2,504	-
Income tax attributable to the entity	255	(103)
The applicable weighted average effective tax rate is :	-0.49%	-0.95%
c. Current tax liability		
Current tax relates to the following:		
<i>Current tax liabilities</i>		
Opening balance	-	-
Income tax paid	-	-
Current tax	25,433	-
Recoupment of income tax losses	(10,451)	-
	14,982	-
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	59	-
Employee provisions	25,581	-
Unused tax losses	-	11,003
	25,640	11,003
Net deferred tax asset	25,640	11,003
4. Income tax (continued)		
e. Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	7,605	(103)
Under / (over) provision prior years	(22,242)	-
	(14,637)	(103)

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	2016 \$	2015 \$
5. Cash and cash equivalents		
Cash at bank and on hand	292,769	295,358
	292,769	295,358

6. Trade and other receivables**Current**

Trade receivables	135,638	106,263
	135,638	106,263

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

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	Not past due	Past due but not impaired			Past due and impaired
	\$	\$	< 30 days \$	31-60 days \$	> 60 days \$	\$
2016						
Trade receivables	135,638	135,638	-	-	-	-
Total	135,638	135,638	-	-	-	-
2015						
Trade receivables	106,263	106,263	-	-	-	-
Total	106,263	106,263	-	-	-	-

	2016 \$	2015 \$
7. Investments and other Financial assets		
<i>Held to maturity financial assets</i>		
Term deposits	625,000	625,000
	625,000	625,000

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	2016 \$	2015 \$
8. Property, plant and equipment		
<i>Land</i>		
At fair value	107,500	107,500
<i>Buildings</i>		
At fair value	321,866	321,866
Less accumulated depreciation	(125,028)	(115,122)
	196,838	206,744
<i>Leasehold improvements</i>		
At cost	56,667	56,667
Less accumulated depreciation	(7,506)	(4,673)
	49,161	51,994
<i>Plant and equipment</i>		
At cost	288,532	255,586
Less accumulated depreciation	(155,588)	(133,116)
	132,944	122,470
Total property, plant and equipment	486,443	488,708
a) Movements in carrying amounts		
<i>Land</i>		
Balance at the beginning of the reporting period	107,500	107,500
Balance at the end of the reporting period	107,500	107,500
<i>Buildings</i>		
Balance at the beginning of the reporting period	206,744	216,650
Depreciation expense	(9,906)	(9,906)
Balance at the end of the reporting period	196,838	206,744
<i>Leasehold improvements</i>		
Balance at the beginning of the reporting period	51,994	54,827
Depreciation expense	(2,833)	(2,833)
Balance at the end of the reporting period	49,161	51,994
<i>Plant and equipment</i>		
Balance at the beginning of the reporting period	122,470	143,172
Additions	32,946	-
Depreciation expense	(22,472)	(20,702)
Balance at the end of the reporting period	132,944	122,470
Total property, plant and equipment		
Balance at the beginning of the reporting period	488,708	522,149
Additions	32,946	-
Depreciation expense	(35,211)	(33,441)
Balance at the end of the reporting period	486,443	488,708

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	2016 \$	2015 \$
9. Intangible assets		
<i>Franchise fee</i>		
At cost	14,918	11,537
Less accumulated amortisation	(9,441)	(6,307)
	<u>5,477</u>	<u>5,230</u>
<i>Preliminary expenses</i>		
At cost	83,042	66,149
Less accumulated amortisation	(50,518)	(31,900)
	<u>32,524</u>	<u>34,249</u>
Total intangible assets	<u>38,001</u>	<u>39,479</u>
(a) Movements in carrying amounts		
<i>Franchise fee</i>		
Balance at the beginning of the reporting period	5,230	7,230
Additions	3,381	-
Amortisation expense	(3,134)	(2,000)
Balance at the end of the reporting period	<u>5,477</u>	<u>5,230</u>
<i>Preliminary expenses</i>		
Balance at the beginning of the reporting period	34,249	46,253
Additions	16,893	-
Amortisation expense	(18,618)	(12,004)
Balance at the end of the reporting period	<u>32,524</u>	<u>34,249</u>
Total intangible assets		
Balance at the beginning of the reporting period	39,479	53,483
Additions	20,274	-
Amortisation expense	(21,752)	(14,004)
Balance at the end of the reporting period	<u>38,001</u>	<u>39,479</u>
10. Trade and other payables		
Current		
<i>Unsecured liabilities:</i>		
Trade creditors	32,134	30,091
GST liabilities	35,144	29,175
	<u>67,278</u>	<u>59,266</u>
The average credit period on trade and other payables is one month.		
11. Borrowings		
Current		
<i>Secured liabilities</i>		
Bank loan	25,985	20,955
	<u>25,985</u>	<u>20,955</u>
Non-current		
<i>Secured liabilities</i>		
Bank loan	47,498	40,003
	<u>47,498</u>	<u>40,003</u>

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	2016 \$	2015 \$
11. Borrowings (continued)		
(a) Bank loans		
The company has a mortgage loan which is subject to normal terms and conditions. The current interest rate is 6.25%. This loan has been created to fund the North Richmond Branch and is secured by same.		
12. Provisions		
Current		
Employee benefits	83,857	68,601
Non-current		
Employee benefits	9,166	4,565
Total provisions	93,023	73,166
13. Share capital		
625,009 Ordinary shares fully paid	625,009	625,009
Less: Equity raising costs	-	-
	625,009	625,009
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	625,009	625,009
Shares issued during the year	-	-
At the end of the reporting period	625,009	625,009

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 company 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%.

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13. Share capital (continued)

Capital management (continued)

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 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.

	2016	2015
	\$	\$
14. Retained earnings		
Balance at the beginning of the reporting period	672,412	770,673
Profit/(loss) after income tax	69,805	(10,760)
Dividends paid	(87,501)	(87,501)
Balance at the end of the reporting period	<u>654,716</u>	<u>672,412</u>

15. Reserves

Asset revaluation reserve

Balance at the beginning of the reporting period	75,000	75,000
Fair value movements during the period	-	-
Balance at the end of the reporting period	<u>75,000</u>	<u>75,000</u>

16. 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:

Cash and cash equivalents (Note 5)	292,769	295,358
Less bank loan (Note 11)	(73,483)	(60,958)
As per the Statement of Cash Flow	<u>219,286</u>	<u>234,400</u>

(b) Reconciliation of cash flow from operations with profit after income tax

Profit / (loss) after income tax	69,805	(10,760)
Non-cash flows in profit		
- Depreciation	35,211	33,441
- Amortisation	21,752	14,004
- Bad debts	2,083	3,502
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(31,458)	(11,583)
- (Increase) / decrease in deferred tax asset	(14,637)	13,514
- Increase / (decrease) in trade and other payables	8,012	1,836
- Increase / (decrease) in current tax liability	14,982	-
- Increase / (decrease) in provisions	19,857	10,656
Net cash flows from / (used in) operating activities	<u>125,607</u>	<u>54,610</u>

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	2016	2015
	\$	\$
17. Earnings per share		
Basic earnings per share (cents)	11.17	(1.72)
Earnings used in calculating basic and diluted earnings per share	69,805	(10,760)
Weighted average number of ordinary shares used in calculating basic earnings per share.	625,009	625,009

18. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the company, 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 committee member. There are no executives within the company whose remuneration is required to be disclosed.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

The Hawkesbury Community 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 2016. The estimated benefits per Director is as follows:

	2016	2015
Donald John Shaddick	-	-
Trevor George Hitchcock	-	-
Craig Bennett	-	-
William John Kerr	-	-
John Douglas MacFarlane	-	-
Rowan Parker	-	-
David Palamara	-	-
Shayne Ryan	-	-
Lyndell Spence	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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18. Related party transactions (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Hawkesbury Community Financial Services Limited held by each key management

	2016	2015
Donald John Shaddick	5,000	5,000
Trevor George Hitchcock	11,001	11,001
Craig Bennett	5,000	-
William John Kerr	-	-
John Douglas MacFarlane	5,500	5,500
Rowan Parker	500	500
David Palamara	-	-
Shayne Ryan	-	-
Lyndell Spence	-	-

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 contingent assets

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

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 Hawkesbury Council, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016	2015
	\$	\$

22. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

Payable:

- no later than 12 months	42,987	42,848
- between 12 months and five years	61,291	102,605
- greater than five years	-	-
Minimum lease payments	104,278	145,453

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with set 4% increases each year.

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23. Company details

The registered office and principle place of business is: Shop 7 & 8 Riveriew St, North Richmond NSW 2758

2016	2015
\$	\$

24. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

Interim and/or final fully franked ordinary dividend of 14.0 cents per share (2015:14.0 cents) franked at the tax rate of 30% (2015: 30%).

87,501	87,501
--------	--------

25. Fair value measurements

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

- freehold land and buildings

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.

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Notes to the Financial Statements
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25. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

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.

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.

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 2016			
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
<i>Non-financial assets</i>					
Freehold land		-	107,500	-	107,500
Buildings		-	196,838	-	196,838
Total non-financial assets recognised at fair value on a recurring basis		-	304,338	-	304,338
		30 June 2015			
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
<i>Non-financial assets</i>					
Freehold land		-	107,500	-	107,500
Buildings		-	206,744	-	206,744
Total non-financial assets recognised at fair value on a recurring basis		-	314,244	-	314,244

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2015: no transfers).

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25. Fair value measurements (continued)

(b) Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2016 \$	Description of valuation techniques	Inputs used
Freehold land	107,500	Market approach using recent observable market data for similar properties	Valuation
Buildings	196,838	Market approach using recent observable market data for similar properties	Valuation

(i) The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

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26. Financial risk management

Financial risk management policies

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.

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 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.

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

	Note	2016 \$	2015 \$
Financial assets			
Cash and cash equivalents	5	292,769	295,358
Trade and other receivables	6	135,638	106,263
Investments and other financial assets	7	625,000	625,000
Total financial assets		<u>1,053,407</u>	<u>1,026,621</u>
Financial liabilities			
Trade and other payables	10	32,134	29,437
Borrowings	11	73,483	60,958
Total financial liabilities		<u>105,617</u>	<u>90,395</u>

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, 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.

Credit risk exposures

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 table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

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26. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2015: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(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.

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 2016	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	-%	292,769	292,769	-	-
Trade and other receivables	-%	135,638	135,638	-	-
Investments and other financial assets	2.6%	625,000	625,000	-	-
Total anticipated inflows		<u>1,053,407</u>	<u>1,053,407</u>	<u>-</u>	<u>-</u>
Financial liabilities					
Trade and other payables	-%	32,134	32,134	-	-
Borrowings	6.25%	73,483	16,007	57,476	-
Total expected outflows		<u>105,617</u>	<u>48,141</u>	<u>57,476</u>	<u>-</u>
Net inflow / (outflow) on financial instruments		<u>947,790</u>	<u>1,005,266</u>	<u>(57,476)</u>	<u>-</u>

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26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	-%	295,358	295,358	-	-
Trade and other receivables	-%	106,263	106,263	-	-
Investments and other financial assets	2.7%	625,000	625,000	-	-
Total anticipated inflows		<u>1,026,621</u>	<u>1,026,621</u>	<u>-</u>	<u>-</u>
Financial liabilities					
Trade and other payables	-%	29,437	29,437	-	-
Borrowings	6.25%	60,958	20,955	40,003	-
Total expected outflows		<u>90,395</u>	<u>50,392</u>	<u>40,003</u>	<u>-</u>
Net inflow / (outflow) on financial instruments		<u><u>936,226</u></u>	<u><u>976,229</u></u>	<u><u>(40,003)</u></u>	<u><u>-</u></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.

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, 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.

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

Year ended 30 June 2016	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	9,178	9,178
+/- 1% in interest rates (interest expense)	(735)	(735)
	<u>8,443</u>	<u>8,443</u>
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	9,204	9,204
+/- 1% in interest rates (interest expense)	(610)	(610)
	<u>8,594</u>	<u>8,594</u>

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Notes to the Financial Statements
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26. Financial risk management (continued)

(c) Market risk (continued)

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents (i)	292,769	292,769	295,358	295,358
Trade and other receivables (i)	135,638	135,638	106,263	106,263
Financial assets	625,000	625,000	625,000	625,000
Total financial assets	<u>1,053,407</u>	<u>1,053,407</u>	<u>1,026,621</u>	<u>1,026,621</u>
Financial liabilities				
Trade and other payables (i)	32,134	32,134	29,437	29,437
Borrowings	73,483	73,483	60,958	60,958
Total financial liabilities	<u>105,617</u>	<u>105,617</u>	<u>90,395</u>	<u>90,395</u>

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

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, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 39 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 2016 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.



Donald Shaddick
Director

Signed at North Richmond on 26 September 2016.