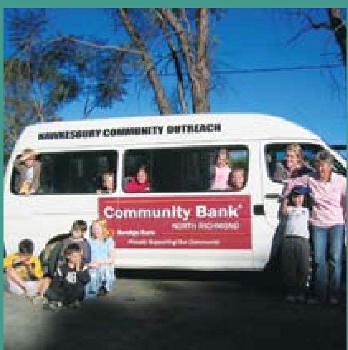
Hawkesbury Community
Financial Services Limited
ABN 97 099 838 463

2008 annualreport




Contents

Chairman's report

For year ending 30 June 2008

Results

Our year end result was a profit of over $295,000 (before tax) after allowing for community donations, depreciation, amortisation and all provisions. This is more than double last year.

Your Board therefore is pleased to propose a final dividend of 11 cents per $1 share, fully franked. This is, we believe, a fitting return to those who have funded the establishment of this community venture.

Subject to Annual General Meeting (AGM) approval by shareholders, the final fully franked dividend will be paid.

Our total business grew from $74.84 million in banking business at 30 June 2007 to $95.67 million at 30 June 2008. Our customer account numbers rose from just over 4,700 at June end 2007 to over 5,400 at June end 2008.

This continued growth places your Company as an established source of economic and social benefit for the Hawkesbury community. We plan further growth in the coming year even though the economic indicators show a volatile period.

Credit is due to our Manager and staff, as well as to our shareholders and customers who have experienced the outstanding service, products and benefits that a community owned Bendigo Bank branch offers.

Our audited accounts follow in this report. Income (referred to as 'revenue' in the report) rose from $775,765 at June end 2007 to $982,235 at 30 June 2008. Expenses increased mainly due to staff wage increases and related costs. Relevant staff salaries were again adjusted in accordance with Bendigo Bank staff wage changes.

Franchise agreement

We signed a renewal five year Franchise Agreement with Bendigo Bank through to 2012 in October 2007. This renewal included future renewal options for two further five year terms at the end of that period. This gives us a commitment up to 2022.

Staff

Our staff provide a continued high standard of customer service. They continue to support our community engagement objectives, including Hawkesbury Cancer Council Relay for Life and fulfilling a Meals on Wheels roster each month.

Community

Within the conditions of our Franchise we provide a generous, but capped return to shareholders, and apart from needed working capital, are required to use any surplus profit for community benefit.

As part of our community commitment, and to promote our community image, a number of donations have been made during the year to local schools and community organisations to a total amounting to $118,437. The largest donation was a further $100,000 (net of GST) in May 2008, placed with Bendigo's Community Enterprise™ Foundation. This increased seed funding to fulfil our target $200,000 for a Hawkesbury based disability support project for those under age 65, who need day, respite and eventually residential care - an area of community care that is significantly in need of such facilities. We are currently seeking, with North West Disability Services Inc (NWDS), the proposed facility operator, and with Hawkesbury City Council involvement, suitable premises for this project. Once premises are identified NWDS will seek further supporting funding from local, state and federal government. This project will provide a permanent benefit for the entire Hawkesbury community and will have prominent **Community Bank®** branch branding.

We continue our allocation of funds for Education Awards to local primary schools, and to deserving students nominated by local high schools for allocation to their secondary or tertiary education expenses. Some $10,000 is now budgeted for this financial year 2008/09 for these education award payments.

At our AGM in November 2008 we will provide further grants to a variety of local not–for-profit organisations amounting to over $50,000. This amount will come out of our donations for the 2008/09 financial year.

Directors

Every January your Directors conduct a self-assessment of their performance and as a result, in February 2008 we changed and improved our internal governance procedures to improve efficiency.

Chairman's report continued

In February 2008 we lost a much respected Director and Company Secretary, John Stafford, after a long illness. Director Paul Rogers also resigned due to other work pressures in April 2008.

Fortunately Director Lesley Carbery has subsequently accepted appointment as Company Secretary.

Your Directors are conscious of the need for replacements (within our Constitution's maximum of ten Directors) and are seeking suitable nominees so that we have a mix of ages and gender to ensure experience and succession.

Thus for our AGM in November 2008 we have seven Directors. We are required by our Constitution to retire one-third by rotation. Therefore three of our current Directors retire by rotation, and offer themselves for re-election.

Share transactions

All share transactions are at 'arms length' via our Company Secretary in accordance with our own Company procedures to ensure the price negotiation between seller and buyer is private to them alone. A prospective purchaser register is maintained which is available to intending sellers.

Our share registry is currently operated under contract with Computershare Investor Services Pty Limited. Alternatives to Computershare are being considered when our contract period ends.

Address changes need to be advised to our Company Secretary. We have a few shareholders who have moved and not advised a new address and we hold last year's dividends for them in a trust account.

Bendigo and Adelaide Bank Ltd

During last year Bendigo Bank Limited merged with Adelaide Bank Ltd to form Bendigo and Adelaide Bank Limited. This has added some 24 South Australian based retail branches and a substantial wholesale business activity.

Our partner, Bendigo and Adelaide Bank Limited has thus recorded continued increased profit and branch growth in this last financial year with over 400 branches Australia wide, including (now) 220 **Community Bank®** branches. It continues to be encouraging to work with a public Company that practices what it says about working with communities.

Thanks

Lastly, thanks to Branch Manager Denise Handcock and her staff, and to your volunteer unpaid Directors who give of their time and ability to the community and accept the responsibility of the governance of the Company.

Bob McCallum

Chairman

Manager's report

For year ending 30 June 2008

"The opening of a **Community Bank®** branch will immediately return basic banking services but in the long term, it will mean much more than that."

I recently read these words that were penned by our Chairman Bob McCallum upon the opening of the branch in 2002. They are just as relevant today as we approach our sixth birthday in September. Over this time we have developed into a busy and profitable business. Not only have we achieved exactly what we set out to do in providing quality banking facilities with outstanding levels of customer service, we have contributed to the improved confidence in business prospects in North Richmond, and we have actively contributed to our community through our Community Grants Program.

In this last year our account numbers were the highest achieved since our opening; our staff carried out more than 4700 face to face transactions each month; the level of ATM usage at the branch and in the North Richmond Shopping Village continued to grow, and our business levels edged towards $95 million. We have far exceeded our expectations in terms of profitability, growth and account numbers in this past financial year.

And why ....

Customers are finding an extensive range of services offered, from basic passbook and statement accounts, personal loans, housing loans, lines of credit, debit cards, credit cards, various investments, household, motor vehicle and Greenslip insurances and more; we are providing them with a "one stop shop" for all their banking needs. Our product range will be further enhanced with the recent Adelaide Bank merger and the progressive integration of our systems.

The number of business clients is also growing with many recognising the benefits of a choice of facilities to support the management of their business including a number of business accounts, business loan and overdraft facilities, business credit cards, electronic banking options and equipment finance.

Our branch staff is renowned for their unique brand of customer service, attention to detail and willingness to go out of their way for our customers. It will always be our staff who will continue to set us apart from our competitors. I say thank you to Christine, Joanne, Kellie, Liz and our newest staff member Vicki, and also to Alison and Michelle who contributed much to our branch over the years.

We would also not be here today without the vision, commitment and effort of past and present Board members. Thank you to our current Board members, Bob McCallum, Trevor Hitchcock, Phill Isaacs, Adrian Maguire, Lesley Carbery, Jeff Godsell, Brendon Rogers and past Board members Paul Rogers, Frank Swavely. I would also like to acknowledge our former Director and Company Secretary John Stafford who passed away in February.

Where to now.....

The next year will certainly bring with it challenges, as international and local financial markets are further exposed to fluctuating fuel prices and the threat of a US led recession. However, I am confident that with the ongoing support of our shareholders and customers we will continue to grow and be relevant and known for our commitment to the Hawkesbury community.

Denise Handcock

Manager

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

Directors

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

Robert McCallum
Chairman
Company Director

Trevor George Hitchcock
Treasurer
Company Director

Frank Arthur Swavely (resigned 26/11/2007)
Director
Pharmacist

Lesley Jean Carbery
Director
Company Director

Adrian John Maguire (appointed 19/11/2007)
Director
Orchardist

John Edward Stafford (resigned 21/2/2008)
Director & Company Secretary
Accountant

Phillip John Isaacs
Director
Retired

Brendon Watsford Rogers
Director
Company Director

Paul Edwin Rogers (appointed 19/11/2007)
Director (resigned 1/4/2008)
Legal professional

Jeff John Godsell (appointed 19/11/2007)
Director
Company Director

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** 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.

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was $203,560 (2007: $95,716).

Dividends

A franked dividend of 10 cents per share was paid in 2008.

Significant changes in the state of affairs

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

Significant events after the balance date

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

Likely developments

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

Directors' benefits

Loss Management Services Pty Ltd, a Company of which Lesley Carbery is a Director, has received $1,450 (2007: nil) for the maintenance of the Company share registry for the year ended 30 June 2008.

No other Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

Number of meetings held:	**11**
Number of meetings attended:	
Robert McCallum	11
John Edward Stafford (resigned 21/2/2008)	4
Trevor George Hitchcock	10
Phillip John Isaacs	8
Frank Arthur Swavely (resigned 26/11/2007)	1
Brendon Watsford Rogers	5
Lesley Jean Carbery	10
Paul Edwin Rogers (appointed 19/11/2007, resigned 1/4/2008)	4
Adrian John Maguire (appointed 19/11/2007)	7
Jeff John Godsell (appointed 19/11/2007)	4

Company Secretary

Lesley Jean Carbery was appointed Company Secretary in February 2008. Her qualifications and experience include, BA(Hons), Grad Dipl Fin Mgt, MAICD.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are Trevor Hitchcock, Jeff Godsell, Brendon Rogers and Robert McCallum;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants.

Richmond Sinnott & Delahunty
Chartered Accountants

172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Hawkesbury Community Financial Services Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner

Richmond Sinnott & Delahunty

25 August 2008

Signed in accordance with a resolution of the Board of Directors of Hawkesbury Community Financial Services Ltd on 25 August 2008.

Robert McCallum
Chairman

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenues from ordinary activities	2	982,235	775,765
Employee benefits expense	3	(336,260)	(286,230)
Depreciation and amortisation expense	3	(30,680)	(46,863)
Finance costs	3	(15,605)	(15,068)
Charitable donations and sponsorship		(118,437)	(145,124)
Other expenses from ordinary activities		(185,588)	(143,187)
Profit before income tax expense		**295,665**	**139,293**
Income tax expense	4	92,105	43,577
Profit after income tax expense		**203,560**	**95,716**
Earnings per share (cents per share)			
- basic for profit for the year	23	32.57	15.31
- diluted for profit for the year	23	32.57	15.31
- dividends paid per share	22	10.00	4.00

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash assets	6	539,624	433,901
Receivables	7	98,606	72,480
Other financial assets	8	-	95
Total current assets		**638,230**	**506,476**
Non-current assets			
Property, plant and equipment	9	461,518	467,198
Intangible assets	10	40,000	-
Total non-current assets		**501,518**	**467,198**
Total assets		**1,139,748**	**973,674**
Current liabilities			
Payables	11	36,668	36,273
Current tax payable	4	41,681	27,244
Interest bearing liabilities	12	10,888	10,906
Provisions	13	35,024	14,331
Total current liabilities		**124,261**	**88,754**
Non-current liabilities			
Interest bearing liabilities	12	156,705	167,197
Total non-current liabilities		**156,705**	**167,197**
Total liabilities		**280,966**	**255,951**
Net assets		**858,782**	**717,723**
Equity			
Share capital	14	625,009	625,009
Retained earnings	15	158,773	17,714
Asset revaluation reserve		75,000	75,000
Total equity		**858,782**	**717,723**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,023,772	835,342
Cash payments in the course of operations		(714,771)	(668,021)
Interest paid		(15,605)	(15,068)
Interest received		28,006	17,600
Income tax paid		(77,668)	(31,009)
Net cash flows from operating activities	**16b**	**243,734**	**138,844**
Cash flows from investing activities			
Payments for property, plant and equipment		(15,000)	(1,084)
Payments for intangible assets		(50,000)	-
Net cash flows used in investing activities		**(65,000)**	**(1,084)**
Cash flows from financing activities			
Dividends paid		(62,501)	(25,000)
Repayment of borrowings		(10,510)	(10,045)
Net cash flows used in financing activities		**(73,011)**	**(35,045)**
Net increase (decrease) in cash held		**105,723**	**102,715**
Add opening cash brought forward		433,901	331,186
Closing cash carried forward	**16a**	**539,624**	**433,901**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		625,009	625,009
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**625,009**	**625,009**
Retained earnings			
Balance at start of year		17,714	(53,002)
Profit after income tax expense		203,560	95,716
Dividends paid		(62,501)	(25,000)
Balance at end of year		**158,773**	**17,714**
Asset revaluation reserVE			
Balance at start of year		75,000	75,000
Revaluation of building		-	-
Balance at end of year		**75,000**	**75,000**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 25 August 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

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

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

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

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

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

Property, plant and equipment

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

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

Class of asset	Depreciation rate
Buildings	2.5%
Plant & Equipment	2.5% - 25%

Impairment

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

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

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

Recoverable amount of assets

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Comparative figures

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

Revenue

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

Receivables and payables

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

Interest bearing liabilities

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

Provisions

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

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

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Notes to the financial statements continued

	2008 $	2007 $

Note 2. Revenue from ordinary activities

	2008 $	2007 $
Operating activities		
- services commissions	954,229	758,165
- other revenue	-	-
Total revenue from operating activities	**954,229**	**758,165**
Non-operating activities:		
- interest received	28,006	17,600
- other revenue	-	-
Total revenue from non-operating activities	**28,006**	**17,600**
Total revenue from ordinary activities	**982,235**	**775,765**

Note 3. Expenses

	2008 $	2007 $
Employee benefits expense		
- wages and salaries	253,070	245,169
- superannuation costs	45,051	35,276
- workers' compensation costs	958	905
- other costs	37,181	4,880
	336,260	**286,230**
Depreciation of non-current assets:		
- plant and equipment	10,774	13,597
- buildings	6,188	6,188
- fit out	3,718	3,718
Amortisation of non-current assets:		
- intangibles	10,000	23,360
	30,680	**46,863**
Finance costs:		
- Interest paid	15,605	15,068
Bad debts	406	676

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2008 $	2007 $
Prima facie tax on profit at 30%	88,700	41,788
Add tax effect of:		
- Non-deductible expenses	3,405	1,789
Current income tax expense	**92,105**	**43,577**
Income tax expense	**92,105**	**43,577**
Tax liabilities		
Current tax payable	**41,681**	**27,244**

Notes to the financial statements continued

	2008 $	2007 $

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,650	3,650
- Preparation and lodgement of taxation return	450	450
	4,100	**4,100**

Note 6. Cash assets

Cash at bank and on hand	**539,624**	**433,901**

Note 7. Receivables

Trade debtors	**98,606**	**72,480**

Note 8. Other financial assets

Prepayments	**-**	**95**

Note 9. Property, plant and equipment

Land		
Land at cost	**107,500**	**107,500**
Buildings		
At cost of construction	172,500	172,500
Revaluation buildings *	75,000	75,000
Less accumulated depreciation	(27,190)	(21,002)
	220,310	**226,498**
Fit out		
At cost	74,366	74,366
Less accumulated depreciation	(18,590)	(14,872)
	55,776	**59,494**
Plant and equipment		
At cost	152,333	137,783
Less accumulated depreciation	(74,401)	(64,077)
	77,932	**73,706**
Total written down amount	**461,518**	**467,198**
* Revaluation based on valuation completed by Hausfeld Johnson (Property Advisors & Valuers) on 11 July 2005.		
Movements in carrying amounts		
Land		
Carrying amount at beginning of year	107,500	107,500
Additions	-	-
Disposals	-	-
Carrying amount at end of year	**107,500**	**107,500**

	2008 $	2007 $

Note 9. Property, plant and equipment (continued)

	2008 $	2007 $
Building		
Carrying amount at beginning of year	226,498	232,686
Additions	-	-
Disposals	-	-
Revaluation buildings		-
Depreciation expense	(6,188)	(6,188)
Carrying amount at end of year	**220,310**	**226,498**
Fit out		
Carrying amount at beginning of year	59,494	63,212
Additions	-	-
Disposals	-	-
Depreciation expense	(3,718)	(3,718)
Carrying amount at end of year	**55,776**	**59,494**
Plant and equipment		
Carrying amount at beginning of year	73,706	86,363
Additions	15,000	1,084
Disposals	-	(144)
Depreciation expense	(10,774)	(13,597)
Carrying amount at end of year	**77,932**	**73,706**

Note 10. Intangible assets

	2008 $	2007 $
Franchise fee		
At cost	10,000	50,000
Less accumulated amortisation	(2,000)	(50,000)
	8,000	**-**
Preliminary expenses		
At cost	40,000	66,801
Less accumulated amortisation	(8,000)	(66,801)
	32,000	**-**
	40,000	**-**

Note 11. Payables

	2008 $	2007 $
Trade creditors	19,477	25,429
GST Payable	17,191	10,844
	36,668	**36,273**

	2008 $	2007 $

Note 12. Interest bearing liabilities

Current		
Bank Loan - secured	10,888	10,906
Non-current		
Bank loan - secured	156,705	167,197
	167,593	**178,103**

Bank loans are repayable monthly with the final instalment due on 10/03/2018. Interest is recognised at an average rate of 9.0% (2007: 8.2%). The loans are secured by mortgage over the freehold land and building of the Company.

Note 13. Provisions

Employee benefits	35,024	14,331
Number of employees at year end	**6**	**7**

Note 14. Share capital

625,009 Ordinary Shares fully paid of $1 each	**625,009**	**625,009**

Note 15. Retained earnings

Balance at the beginning of the financial year	17,714	(53,002)
Profit after income tax	203,560	95,716
Dividends paid	(62,501)	(25,000)
Balance at the end of the financial year	**158,773**	**17,714**

Note 16. Cash flow statement

(a) Reconciliation of cash		
Cash assets	**539,624**	**433,901**
(b) Reconciliation of profit after tax to net cash used in operating activities		
Profit after income tax	203,560	95,716
Non cash items		
- Depreciation	20,680	23,503
- Amortisation	10,000	23,360
Fixed Assets written off	-	144
Changes in assets and liabilities		
- (Increase) decrease in receivables	(26,031)	(8,263)
- Increase (decrease) in payables	395	3,658
- Increase (decrease) in provisions	20,693	726
- Increase (decrease) in current tax payable	14,437	-
Net cash flows from / (used in) operating activities	**243,734**	**138,844**

Note 17. Director and related party disclosures

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

Robert McCallum
John Edward Stafford (resigned 21/2/2008)
Trevor George Hitchcock
Phillip John Isaacs
Frank Arthur Swavely (resigned 26/11/2007)
Brendon Watsford Rogers
Lesley Jean Carbery
Paul Edwin Rogers (appointed 19/11/2007, resigned 1/4/2008)
Adrian John Maguire (appointed 19/11/2007)
Jeff John Godsell (appointed 19/11/2007)

Loss Management Services Pty Ltd, a Company of which Lesley Carbery is a Director, has received $1,450 (2007: nil) for the maintenance of the Company share registry for the year ended 30 June 2008.

No other Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	**2008**	**2007**
Robert McCallum	6,001	5,001
John Edward Stafford (resigned 21/2/2008)	13,000	5,000
Trevor George Hitchcock	11,001	11,001
Phillip John Isaacs	5,001	5,001
Frank Arthur Swavely (resigned 26/11/2007)	1,001	1,001
Brendon Watsford Rogers	-	-
Lesley Jean Carbery	5,000	5,000
Paul Edwin Rogers (appointed 19/11/2007, resigned 1/4/2008)	-	-
Adrian John Maguire (appointed 19/11/2007)	-	-
Jeff John Godsell (appointed 19/11/2007)	-	-

The movement in Directors and related parties shareholdings during the year are as stated above. Each share held is valued at $1 and is fully paid.

Note 18. Subsequent events

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

Note 19. Contingent liabilities

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

Note 20. Segment reporting

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

Note 21. Corporate information

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

The registered office and principal place of business is:
Shops 7 & 8, 36 Riverview Street, North Richmond NSW 2754

	2008 $	2007 $

Note 22. Dividends paid or provided for on ordinary shares

	2008 $	2007 $
(a) Dividends paid during the year		
Franked dividends - 10 cents per share (2007: 4 cents)	**62,501**	**25,000**
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 11 cents per share (2007: 10 cents)	**68,751**	**62,501**
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	69,728	20,295
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	41,681	27,244
- Franking debits that will arise from the payment of dividends proposed at the end of the financial year	-	-
	111,409	**47,539**

The tax rate at which dividends paid have been franked is 30% (2007: 30%). Dividends proposed will be franked at a rate of 30% (2007: 30%).

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2008 $	2007 $
Profit after income tax expense	**203,560**	**95,716**
Weighted average number of ordinary shares for basic and diluted earnings per share	**625,009**	**625,009**

Note 24. Financial risk management

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

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

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

(a) Credit risk

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

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

Note 24. Financial risk management (continued)

	Carrying amount 2008 $	Carrying amount 2007 $
Cash assets	539,624	433,901
Receivables	98,606	72,480
	638,230	**506,381**

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

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

	Carrying amount $	Contractual cash flows $	1 year or less $	over 1 to 5 years $	more than 5 years $
30 June 2008					
Payables	36,668	(36,668)	(36,668)	-	-
Interest bearing liabilities	167,593	(259,272)	(26,592)	(106,368)	(126,312)
	204,261	**(295,940)**	**(63,260)**	**(106,368)**	**(126,312)**
30 June 2007					
Payables	36,273	(36,273)	(36,273)	-	-
Interest bearing liabilities	178,103	(271,803)	(25,284)	(101,136)	(145,383)
	214,376	**(308,076)**	**(61,557)**	**(101,136)**	**(145,383)**

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount 2008 $	Carrying amount 2007 $
Fixed rate instruments		
Financial assets	300,000	300,000
Financial liabilities	-	-
	300,000	**300,000**
Variable rate instruments		
Financial assets	239,624	133,901
Financial liabilities	167,593	178,103
	407,217	**312,004**

Note 24. Financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company.

The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

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

Director's declaration

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

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Robert McCallum
Chairman

Signed at Hawkesbury on the 25 August 2008.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

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

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Hawkesbury Community Financial Services Limited, for the year ended 30 June 2008.

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

Audit approach

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

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

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

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

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

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

Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

INDEPENDENCE

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

AUDIT OPINION

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

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

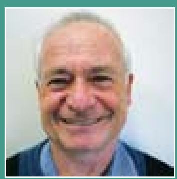
Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 25 August 2008



North Richmond **Community Bank**® Branch
Shop 7-8 McNair Shopping Centre,
36 Riverview Street, North Richmond NSW 2754
Phone: (02) 4571 2988

Franchisee: Hawkesbury Community Financial Services Limited
Shop 7-8 McNair Shopping Centre,
36 Riverview Street, North Richmond NSW 2754
Phone: (02) 4571 2988
ABN 97 099 838 463

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8087) (10/08)