# annual report | 2009

Hawkesbury Community Financial Services Limited

ABN 97 099 838 463

North Richmond **Community Bank®** Branch

# Contents

# Chairman's report

## For year ending 30 June 2009

**Results**

Our year end result was a profit of $345,209 (before tax) after allowing for Community donations, depreciation, amortisation and all provisions. This is some $50,000 more than last year.

Your Board is pleased to announce that a final dividend of 11 cents per $1 share, fully franked (i.e. a total of 14.3%) was approved at our August Board meeting. This, we believe, indicates the ongoing and growing support for your **Community Bank®** branch in a time when many others are reducing dividends. It is proposed to pay the dividend around year-end.

Our total business grew from $95.67 million in banking business at 30 June 2008 to $112.92 million at 30 June 2009. Our customer account numbers also rose as we continued to add new accounts every month. This continued growth places your Company as an established source of economic and social benefit for the Hawkesbury Community. Credit is again 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 **Community Bank®** branch offers.

Our audited accounts follow in this Annual Report. Income (referred to as 'revenue' in the report) rose from $982,235 at June end 2008 to $1,027,327 at June 30 2009. The operating expenses, excluding depreciation and amortisation, were $34,962 up on last year. This is due to staff costs and sundry operating expenses, of which the biggest was for our two ATMs where lease and rental costs increased by $9,000. Relevant staff salaries were adjusted in accordance with **Community Bank®** staff wage changes.

**Economic effects**

The pattern of our business has altered during this year of economic challenge, as the international 'global financial crisis' affected Australia. Due to the lower interest rates, our Hawkesbury Community Financial Services Limited margin in dollars has reduced in a number of areas. Yet while some loans have been repaid, our deposits have increased – the year-end result is thus better than the generally negative commentary that is receiving media publicity. We also continue to increase account numbers monthly as the benefits of the **Community Bank®** concept spreads.

It is difficult to forecast the next year – while there are signs of recovery they so far are only sufficient to allow a cautious budget that sustains business growth and profit for the 2009 - 2010 financial year.

**Community**

Our mission to offer Community Benefit is now well established. In this last financial year we gave a total of $79,023 to the local Community. Of this some $60,000 was presented at our last Annual General Meeting in November 2008. Of the many recipients, the two major donations were to Hawkesbury Bridges Disability Services, of which $25,000 was donated towards a larger bus and Living in Community Service to which $10,000 was donated to sustain their operation pending further Government grants.

We also have $200,000 seed funding held in the Bendigo Community Enterprise™ Foundation. This is to be used for a Hawkesbury based disability support project for those under age 65, who need day, respite and eventually residential care.

We are now at an advanced stage with North West Disability Services Inc (NWDS) - the lead and proposed facility operator - and Richmond Club to establish land and a suitable/affordable premises design for this project. This will be a tangible permanent benefit for the entire Hawkesbury community with prominent **Community Bank®** branding.

We have also continued Education Awards to local primary schools, and to deserving students nominated by local high schools for allocation to their secondary or tertiary education expenses.

**Staff**

Thanks to Branch Manager Denise Handcock and her staff. Our staff continues to provide a high standard of customer service and support to our Community engagement objectives This has included Hawkesbury Cancer Council Relay for Life and fulfilling Meals on Wheels roster each month. They really do walk the talk!

# Chairman's report continued

**Directors and succession**

Your volunteer unpaid Directors give their time and ability to the Community and accept the responsibility of the governance of the Company. We are fortunate that the selection and quality of our Directors provides a range of ages and relevant skills and I thank them for their commitment and ability.

During this last financial year we have appointed Directors Rachael Goldsworthy, Martin Burton, and more recently Bill Kerr – all seek election at the coming AGM on 23 November 2009. We miss the input of Adrian Maguire who resigned from the Board in early 2009 due to work pressures in his orchardist business. Jeff Godsell has also recently resigned due to business time pressures, however he will stay in touch as an Ambassador. Thanks Jeff for your valuable work on the Board, and the HR and Premises sub-committees.

**New Directors brief CVs**

Rachael Goldsworthy - Diploma Real Estate Practice, Diploma Sports Medicine, Certificate in Management, Certificate in Marketing - owns and operates Rachael Goldsworthy Real Estate, Windsor.

Martin Burton - Major UK RASC Retd, Grad Staff College Shrivenham, army light aircraft (pilot), plus a substantial career in Defence related, hovercraft, vehicular and control systems.

Bill Kerr - MBA, MSc, BSc. Background in Medical, Scientific industries, Lecturer UWS Strategic Management, Business Adviser Australian Government - Enterprise Connect programme.

**Succession**

Your Directors conduct a self-assessment of their performance annually - as a result, in February 2009 at our review meeting facilitated by Bendigo and Adelaide Bank Ltd Senior Managers Chris De Araugo and Alex Hughes we changed and improved our internal governance procedures to improve efficiency.

This review also discussed succession and the need to replace retiring Directors. Successful organisations need to plan for succession and then apply that plan; consequently it is my intention to step down as Chairman of the Board at the November 23 AGM. However I seek to remain a Director. Your Board has thus elected Brendon Rogers as incoming Chairman aimed at a seamless transition at the end of the November 2009 AGM. Brendon (ATMA, B.Bus, Assoc Dip Accounting Dip Finance, Dip Intnl Business) runs a successful accounting and business advisory service - Hawkesbury Consulting - and has a background in banking prior to setting up his own consultancy.

At our AGM in November 2009 we are required by our Constitution to retire one-third of our Directors - three of our then current Directors thus retire by rotation, and offer themselves for re-election. In addition the AGM will seek confirmation of our three new Directors. If all are elected we will then have eight Directors.

**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. As advised last year we have now changed our share registry from Computershare at the end of our contracted period to Richmond Sinnott Delahunty who is operating share registry services for a number of **Community Bank®** branches. Although this Company is also our Auditor, your Board is satisfied that the share registry is maintained as a separate business activity.

**Bendigo and Adelaide Bank Ltd**

Our partner, Bendigo and Adelaide Bank Ltd, currently has 428 branches Australia wide, including 237 **Community Bank®** branches, with a further 5 **Community Bank®** branches to shortly open. It continues to be encouraging to work with a public Company that practices what it says about working with shareholders, communities and its staff in a challenging economic environment.

**Bob McCallum**
**Chairman**

# Manager's report

## For year ending 30 June 2009

What a year it's been… who would have foreseen the global financial crisis and the difficulties it would cause us?

In spite of this, our end of financial year result is very pleasing with our book value increasing by just over $17 million. We have remained focused on growing the business and providing the highest of service levels to our new and existing customers. More accounts have been opened this year than any year since our opening and our ATM usage at both the branch and the North Richmond Marketplace has significantly increased. We have continued to support many groups in our Community by way of grants and sponsorships and we are committed to remain a genuine and significant alternative to Australia's major banks. We are a **Community Bank®** branch that is genuinely interested in building its success through the success of our customers, our partner Bendigo and Adelaide Bank Ltd and our Community.

The commitment of our Board members past and present is highly valued; they give freely of their time, experience and vision to ensure our success. Thank you Trevor Hitchcock, Phill Isaacs, Lesley Carbery, Jeff Godsell, Adrian Maguire, Brendon Rogers, Rachel Goldsworthy and Martin Burton for all that you do.

A very special thank you to Bob McCallum our inaugural Chairman; Bob is standing down as Chair in November 2009 after 9 years of commitment to our **Community Bank®** branch, firstly as part of the original steering committee and then as Chairman. Bob has shown unrelenting commitment to our branch, to our staff, to our Community and its people. He has been a mentor, a confidant, a giver of wise counsel and a friend and I am truly grateful to have had this opportunity to work with him. Bob's strong leadership style has put us in good stead for the future as the foundation of our **Community Bank®** branch is 'strong' and based on sound business principles. Bob will not be forgotten for his contribution to our **Community Bank®** branch which will be an ongoing legacy to the Hawkesbury Community.

To the future, we will continue to be relevant and supportive to our customers and we will weather the economic slowdown. Our great staff, Chris, Jo, Liz, Kellie, Vicki and Julia will continue to provide our customers with good old fashioned banking service; our Board will ensure our continued relevance to our community and our partner Bendigo and Adelaide Bank Ltd will have us well positioned to take full advantage of opportunities as economic conditions improve.

Your support as Shareholders is invaluable, so please send to us your family, friends and neighbours to bank at your **Community Bank®** branch.

**Denise Handcock**
**Manager**

# Directors' report

## For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

**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

**Lesley Jean Carbery**
Director
Company Director

**Adrian John Maguire** (Resigned 23/3/09)
Director
Orchardist

**Rachael Goldsworthy** (Appointed 23/3/09)
Director
Real Estate Agent

**Phillip John Isaacs**
Director
Retired

**Brendon Watsford Rogers**
Director
Company Director

**Jeff John Godsell**
Director
Company Director

**Martin Howard Burton** (Appointed 23/3/09)
Director
Retired

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

**Principal activities**

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

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 $248,538 (2008: $203,560).

**Dividends**

A franked dividend of 11 cents per share was paid during the financial year ending 30 June 2009.

**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 $5,156 (2008: $1,450) for the maintenance of the Company share registry for the year ended 30 June 2009.

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:** | **12** |
|---|---|
| **Number of meetings attended:** | |
| Robert McCallum | 12 |
| Trevor George Hitchcock | 12 |
| Phillip John Isaacs | 11 |
| Brendon Watsford Rogers | 8 |
| Lesley Jean Carbery | 12 |
| Adrian John Maguire (Resigned 23/3/09) | 4 |
| Jeff John Godsell | 7 |
| Rachael Goldsworthy (Appointed 23/3/09) | 1 |
| Martin Howard Burton (Appointed 23/3/09) | 3 |

### Company Secretary

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

### 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, Brendon Rogers and Martin Burton;

(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

27 July 2009

The Directors
Hawkesbury Community Financial Services Ltd
PO Box 340
NORTH RICHMOND NSW 2754

Dear Directors

**Auditor's Independence Declaration**

In relation to our audit of the financial report of Hawkesbury Community Financial Services Ltd for the year ended 30 June 2009, 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**

Signed in accordance with a resolution of the Board of Directors of Hawkesbury Community Financial Services Ltd on 27 July 2009.

**Robert McCallum**
**Chairman**

# Financial statements

## Income statement
## For year ending 30 June 2009

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| Revenues from ordinary activities | 2 | 1,027,327 | 982,235 |
| Employee benefits expense | 3 | (354,100) | (336,260) |
| Depreciation and amortisation expense | 3 | (32,472) | (30,680) |
| Finance costs | 3 | (14,175) | (15,605) |
| Charitable donations and sponsorship | | (79,023) | (118,437) |
| Other expenses from ordinary activities | | (202,348) | (185,588) |
| **Profit before income tax expense** | | **345,209** | **295,665** |
| Income tax expense | 4 | 96,671 | 92,105 |
| **Profit after income tax expense** | | **248,538** | **203,560** |
| | | | |
| **Earnings per share (cents per share)** | | | |
| - basic for profit for the year | 22 | 39.77 | 32.57 |
| - diluted for profit for the year | 22 | 39.77 | 32.57 |
| - dividends paid per share | 21 | 11.00 | 10.00 |

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance sheet
## As at 30 June 2009

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash assets | 6 | 742,292 | 539,624 |
| Receivables | 7 | 95,394 | 98,606 |
| **Total current assets** | | **837,686** | **638,230** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 454,170 | 461,518 |
| Intangible assets | 9 | 30,000 | 40,000 |
| **Total non-current assets** | | **484,170** | **501,518** |
| **Total assets** | | **1,321,856** | **1,139,748** |
| **Current liabilities** | | | |
| Payables | 10 | 51,044 | 36,668 |
| Current tax payable | 4 | 34,334 | 41,681 |
| Interest bearing liabilities | 11 | 13,207 | 10,888 |
| Provisions | 12 | 41,597 | 35,024 |
| **Total current liabilities** | | **140,182** | **124,261** |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 11 | 143,105 | 156,705 |
| **Total non-current liabilities** | | **143,105** | **156,705** |
| **Total liabilities** | | **283,287** | **280,966** |
| **Net assets** | | **1,038,569** | **858,782** |
| **Equity** | | | |
| Share capital | 13 | 625,009 | 625,009 |
| Retained earnings | 14 | 338,560 | 158,773 |
| Asset revaluation reserve | | 75,000 | 75,000 |
| **Total equity** | | **1,038,569** | **858,782** |

The accompanying notes form part of these financial statements.

## Statement of cash flows
## As at 30 June 2009

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | 1,079,223 | 1,023,772 |
| Cash payments in the course of operations | | (699,064) | (714,771) |
| Interest paid | | (14,175) | (15,605) |
| Interest received | | 39,898 | 28,006 |
| Income tax paid | | (104,018) | (77,668) |
| **Net cash flows from operating activities** | **15b** | **301,864** | **243,734** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (19,164) | (15,000) |
| Payments for intangible assets | | - | (50,000) |
| **Net cash flows used in investing activities** | | **(19,164)** | **(65,000)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (68,751) | (62,501) |
| Repayment of borrowings | | (11,281) | (10,510) |
| **Net cash flows used in financing activities** | | **(80,032)** | **(73,011)** |
| **Net increase (decrease) in cash held** | | **202,668** | **105,723** |
| Add opening cash brought forward | | 539,624 | 433,901 |
| **Closing cash carried forward** | **15a** | **742,292** | **539,624** |

The accompanying notes form part of these financial statements.

## Statement of changes in equity
## As at 30 June 2009

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|
| **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 | | 158,773 | 17,714 |
| Profit after income tax expense | | 248,538 | 203,560 |
| Dividends paid | | (68,751) | (62,501) |
| **Balance at end of year** | | **338,560** | **158,773** |
| **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 2009

## 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 27 July 2009.

**(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 2008 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.

| | 2009 $ | 2008 $ |
|---|---|---|

## Note 2. Revenue from ordinary activities

| | 2009 $ | 2008 $ |
|---|---|---|
| **Operating activities** | | |
| - services commissions | 983,780 | 954,229 |
| - other revenue | 3,649 | - |
| **Total revenue from operating activities** | **987,429** | **954,229** |
| **Non-operating activities:** | | |
| - interest received | 39,898 | 28,006 |
| **Total revenue from non-operating activities** | **39,898** | **28,006** |
| **Total revenue from ordinary activities** | **1,027,327** | **982,235** |

## Note 3. Expenses

| | 2009 $ | 2008 $ |
|---|---|---|
| **Employee benefits expense** | | |
| - wages and salaries | 295,686 | 253,070 |
| - superannuation costs | 34,537 | 45,051 |
| - workers' compensation costs | 855 | 958 |
| - other costs | 23,022 | 37,181 |
| | **354,100** | **336,260** |
| **Depreciation of non-current assets:** | | |
| - plant and equipment | 12,566 | 10,774 |
| - buildings | 6,188 | 6,188 |
| - fit out | 3,718 | 3,718 |
| **Amortisation of non-current assets:** | | |
| - intangibles | 10,000 | 10,000 |
| | **32,472** | **30,680** |
| **Finance costs:** | | |
| - Interest paid | 14,175 | 15,605 |
| Bad debts | 1,988 | 406 |

## Note 4. Income tax expense

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

| | 2009 $ | 2008 $ |
|---|---|---|
| Prima facie tax on profit at 30% | 103,563 | 88,700 |
| Add tax effect of: | | |
| - Non-deductible expenses | 1,972 | 3,405 |
| Less tax effect of: | | |
| - Other deductible expenses | (8,864) | - |
| **Current income tax expense** | **96,671** | **92,105** |
| **Income tax expense** | **96,671** | **92,105** |
| **Tax liabilities** | | |
| **Current tax payable** | **34,334** | **41,681** |

# Notes to the financial statements continued

| | 2009 $ | 2008 $ |
|---|---|---|

## 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 |
| - Share registry services | 1,800 | - |
| - Preparation and lodgement of taxation return | 450 | 450 |
| | **5,900** | **4,100** |

## Note 6. Cash assets

| | | |
|---|---|---|
| **Cash at bank and on hand** | **742,292** | **539,624** |

## Note 7. Receivables

| | | |
|---|---|---|
| **Trade debtors** | **95,394** | **98,606** |

## Note 8. 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 | (33,378) | (27,190) |
| | **214,122** | **220,310** |
| **Fit out** | | |
| At cost | 74,366 | 74,366 |
| Less accumulated depreciation | (22,308) | (18,590) |
| | **52,058** | **55,776** |
| **Plant and equipment** | | |
| At cost | 155,217 | 152,333 |
| Less accumulated depreciation | (74,727) | (74,401) |
| | **80,490** | **77,932** |
| **Total written down amount** | **454,170** | **461,518** |

* Revaluation based on valuation completed by Hausfeld Johnson (Property Advisors & Valuers) on 11 July 2005 and confirmed by Directors as still appropriate in 2009.

| | | |
|---|---|---|
| **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** |

# Notes to the financial statements continued

| | 2009<br>$ | 2008<br>$ |
|---|---|---|

## Note 8. Property, plant and equipment (continued)

| | | |
|---|---|---|
| **Building** | | |
| Carrying amount at beginning of year | 220,310 | 226,498 |
| Additions | - | - |
| Disposals | - | - |
| Revaluation buildings | | - |
| Depreciation expense | (6,188) | (6,188) |
| **Carrying amount at end of year** | **214,122** | **220,310** |
| **Fit out** | | |
| Carrying amount at beginning of year | 55,776 | 59,494 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (3,718) | (3,718) |
| **Carrying amount at end of year** | **52,058** | **55,776** |
| **Plant and equipment** | | |
| Carrying amount at beginning of year | 77,932 | 73,706 |
| Additions | 19,164 | 15,000 |
| Disposals | (4,040) | - |
| **Depreciation expense** | **(12,566)** | **(10,774)** |
| **Carrying amount at end of year** | **80,490** | **77,932** |

## Note 9. Intangible assets

| | | |
|---|---|---|
| **Franchise fee** | | |
| At cost | 10,000 | 10,000 |
| Less accumulated amortisation | (4,000) | (2,000) |
| | **6,000** | **8,000** |
| **Preliminary expenses** | | |
| At cost | 40,000 | 40,000 |
| Less accumulated amortisation | (16,000) | (8,000) |
| | **24,000** | **32,000** |
| | **30,000** | **40,000** |

## Note 10. Payables

| | | |
|---|---|---|
| Trade creditors | 26,339 | 19,477 |
| GST payable | 24,705 | 17,191 |
| | **51,044** | **36,668** |

# Notes to the financial statements continued

| | 2009<br>$ | 2008<br>$ |
|---|---|---|

## Note 11. Interest bearing liabilities

| | | |
|---|---|---|
| **Current** | | |
| Bank loan - secured | 13,207 | 10,888 |
| **Non-current** | | |
| Bank loan - secured | 143,105 | 156,705 |
| | **156,312** | **167,593** |

Bank loans are repayable monthly with the final instalment due on 10/03/2018. Interest is recognised at an average rate of 8.6% (2008: 9.0%). The loans are secured by mortgage over the freehold land and building of the Company.

## Note 12. Provisions

| | | |
|---|---|---|
| **Employee benefits** | **41,597** | **35,024** |
| **Number of employees at year end** | **7** | **6** |

## Note 13. Share capital

| | | |
|---|---|---|
| **625,009 Ordinary shares fully paid of $1 each** | **625,009** | **625,009** |

## Note 14. Retained earnings

| | | |
|---|---|---|
| Balance at the beginning of the financial year | 158,773 | 17,714 |
| Profit after income tax | 248,538 | 203,560 |
| Dividends paid | (68,751) | (62,501) |
| **Balance at the end of the financial year** | **338,560** | **158,773** |

## Note 15. Cash flow statement

| | | |
|---|---|---|
| **(a) Reconciliation of cash** | | |
| **Cash assets** | **742,292** | **539,624** |
| **(b) Reconciliation of profit after tax to net cash used in operating activities** | | |
| Profit after income tax | 248,538 | 203,560 |
| **Non cash items** | | |
| - Depreciation | 22,472 | 20,680 |
| - Amortisation | 10,000 | 10,000 |
| - Fixed assets written off | 4,040 | - |
| **Changes in assets and liabilities** | | |
| - (Increase) decrease in receivables | 3,212 | (26,031) |
| - Increase (decrease) in payables | 14,376 | 395 |
| - Increase (decrease) in provisions | 6,573 | 20,693 |
| - Increase (decrease) in current tax payable | (7,347) | 14,437 |
| **Net cash flows from / (used in) operating activities** | **301,864** | **243,734** |

## Note 16. Director and related party disclosures

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

Robert McCallum

Trevor George Hitchcock

Phillip John Isaacs

Brendon Watsford Rogers

Lesley Jean Carbery

Adrian John Maguire (Resigned 23/3/09)

Jeff John Godsell

Rachael Goldsworthy (Appointed 23/3/09)

Martin Howard Burton (Appointed 23/3/09)

Loss Management Services Pty Ltd, a Company of which Lesley Carbery is a Director, has received $5,156 (2008: $1,450) for maintenance of the Company share registry for the year ended 30 June 2009.

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** | **2009** | **2008** |
|---|---|---|
| Robert McCallum | 6,001 | 6,001 |
| Trevor George Hitchcock | 11,001 | 11,001 |
| Phillip John Isaacs | 5,001 | 5,001 |
| Brendon Watsford Rogers | - | - |
| Lesley Jean Carbery | 5,000 | 5,000 |
| Adrian John Maguire (Resigned 23/3/09) | - | - |
| Jeff John Godsell | - | - |
| Rachael Goldsworthy (Appointed 23/3/09) | - | - |
| Martin Howard Burton (Appointed 23/3/09) | - | - |

The was no movement in Directors and related parties shareholdings during the year. Each share held is valued at $1 and is fully paid.

## Note 17. Subsequent events

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

## Note 18. Contingent liabilities

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

## Note 19. 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 20. Corporate information

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

The registered office and principal place of business is:

Shops 7 & 8, 36 Riverview Street,

North Richmond NSW 2754

# Notes to the financial statements continued

| | 2009<br>$ | 2008<br>$ |
|---|---|---|

## Note 21. Dividends paid or provided for on ordinary shares

| | 2009 $ | 2008 $ |
|---|---|---|
| **(a) Dividends paid during the year** | | |
| **Franked dividends - 11 cents per share (2008: 10 cents)** | **68,751** | **62,501** |
| **(b) Dividends proposed and not recognised as a liability** | | |
| **Franked dividends - 11 cents per share (2008: 11 cents)** | **68,751** | **68,751** |
| **(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% | 144,282 | 69,728 |
| • Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 34,334 | 41,681 |
| • Franking debits that will arise from the payment of dividends proposed and recognised as a liability at the end of the financial year | - | - |
| | **178,616** | **111,409** |

The tax rate at which dividends paid have been franked is 30% (2008: 30%).

Dividends proposed will be franked at a rate of 30% (2008: 30%).

## Note 22. 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:

| | 2009 $ | 2008 $ |
|---|---|---|
| **Profit after income tax expense** | **248,538** | **203,560** |
| **Weighted average number of ordinary shares for basic and diluted earnings per share** | **625,009** | **625,009** |

## Note 23. Financial risk management

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

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

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

**(a) Credit risk**

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

The maximum exposure to credit risk at 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 23. Financial risk management (continued)

| | Carrying amount 2009 $ | Carrying amount 2008 $ |
|---|---|---|
| Cash assets | 742,292 | 539,624 |
| Receivables | 95,394 | 98,606 |
| | **837,686** | **638,230** |

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 (2008: 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 2009** | | | | | |
| Payables | 51,044 | (51,044) | (51,044) | – | – |
| Interest bearing liabilities | 156,312 | (215,880) | (24,672) | (98,688) | (92,520) |
| | **207,356** | **(266,924)** | **(75,716)** | **(98,688)** | **(92,520)** |
| **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)** |

**(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 2009 $ | Carrying amount 2008 $ |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 578,832 | 300,000 |
| Financial liabilities | - | - |
| | **578,832** | **300,000** |
| **Variable rate instruments** | | |
| Financial assets | 163,460 | 239,624 |
| Financial liabilities | (156,312) | (167,593) |
| | **7,148** | **72,031** |

# Notes to the financial statements continued

## Note 23. Financial risk management (continued)

<u>Fair value sensitivity analysis for fixed rate instruments</u>

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.

<u>Cash flow sensitivity analysis for variable rate instruments</u>

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 2008 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 2009 can be seen in the Income Statement.

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

# Directors' declaration

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

In the opinion of the Directors:

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

   (i) giving a true and fair view of the Company's financial position as at 30 June 2009 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 27 July 2009.

# Independent audit report

**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

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

***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 2009.

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 2009 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. J. SINNOTT**
Partner
Bendigo

Date: 27 July 2009

North Richmond **Community Bank**® Branch
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36 Riverview Street, North Richmond NSW 2754
Phone: (02) 4571 2988

Franchisee: Hawkesbury Community Financial Services Limited
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