Contents

Chairman's Report

For year ending 30 June 2010

Results

Our profit for the year before tax was $410,961 an increase of $65,752 on prior year.

Your Board is pleased to announce that a final fully franked dividend of 14 cents per $1 share was approved at our August Board meeting. It is proposed to pay the dividend before the end of this calendar year.

This year, despite a continuing increase in customers and loans approved, our total banking business has declined slightly from $112.92 million at June 2009 to $110.67 million at June 2010. Your Board believes this to be an acceptable result particularly in view of the fact that in excess of $3 million worth of business was transferred to the new Katoomba & Upper Blue Mountains Community Bank® for the convenience of customers. Credit is again due to our manager and staff, shareholders and customers who continue to experience the outstanding service, products and benefits that a community owned Community Bank® branch has to offer.

Our audited accounts follow in this annual report. Income now referred to as Statement of Comprehensive Income in the report, increased from $1,027,327 for the year to June 2009 to $1,123,558 for the year to June 2010, an increase of 9.4%. The total operating expenses increased by $30,479 year on year an increase of 4.5%.

External Factors

The Global Financial Crisis (GFC) continues to have an effect, in particular the increased cost of wholesale market funds, which is affecting the ability of some lenders to raise sufficient funds to meet borrowers' needs. On the positive side, margins have improved over the last year from what they were at the peak of the GFC.

Community

Our mission to provide benefits to our community continues with a return through donations and sponsorships of $123,771 in the 2009/10 financial year, with in excess of $40,000 of this going to various Rural Fire Brigades throughout the Hawkesbury.

In November 2009 we hosted a workshop with Not-for-Profit organisations in the Hawkesbury, which produced a list of perceived needs in our community. The first of these was the need for Rural Fire Brigade support on which we are now delivering, and the next set of projects to be supported in the first half of the current financial year will be in relation to local schools and education.

Our cooperation with North West Disability Services and the Richmond Club to provide a suitable care facility for disabled people under 65 in our community continues.

Staff

Our staff continues to walk the talk with our Community engagement objectives as well as providing the service to our customers that is expected from our Community Bank®. Staff continue to deliver Meals on Wheels and again supported the annual Cancer Council Relay for Life.

Directors

As I am sure you are all aware, our Inaugural Chairman Bob McCallum lost his battle with ill health on 27 May 2010. The Community at large lost a great advocate for good with his passing and this was evidenced by the large number of our community who attended his funeral.

Bob passed over the reins as Chair to Brendon Rogers at the last AGM as part of our ongoing succession planning. Regrettably Brendon found it necessary to relinquish the position as Chair in June 2010 due to other pressures not allowing him enough time to attend to the position as he would like and, as Deputy Chair, I took over the position of Chair. This appointment was confirmed by the Board at our July Board Meeting, at which time Phill Isaacs was appointed as Deputy Chair.

As you all know the Directors are, in the tradition of community banking, unpaid and give their time and expertise to oversee the governance of the company. They all deserve your thanks for this, and I thank them all for their support and assistance.

Trevor Hitchcock
Chairman

Manager’s Report

For year ending 30 June 2010

We have many reasons to celebrate as we enter our 9th year. When we opened our **Community Bank®** in September, 2002 we could never have anticipated the difference our Bank would make to the local community.

This year we were inducted into Bendigo Bank’s New South Wales **Community Bank®** “Hall of Fame” for our contribution to local community projects. To date we have contributed more than $500,000 in donations and sponsorships and returned more than $235,000 in dividends to our Shareholders. This is an incredible achievement and all of this has been made possible because local people choose to bank with us.

If you read the local newspapers you would have recognized a number of our customers telling their stories; how their banking has directly benefited an important part of their lives. It may have been the Rural Fire Service, local aged care and medical transport service providers, our schools and sporting clubs, the disability and not for profit sector, community festivals and local arts, women’s outreach services and playground amenities, all areas in our wider community.

Thank you to our wonderful staff Chris, Kellie, Jo, Liz, Julia, and Vicki who continue to provide industry-leading customer service and quality banking products to our new and existing customers. Their commitment together with our wonderful ambassadors, shareholders, existing customers and volunteer Board of Directors is what keeps our customer and account numbers growing and our business profitable.

Thank you to the Board for your commitment, leadership and vision, Trevor, Lesley, Bill, Phill, Martin, Brendon, Rachael and Bob McCallum who passed away earlier this year. Bob’s contribution to our **Community Bank®** will never be forgotten, he believed that our true value lies in what we do beyond banking and the integral role we play in our community. This is what we do, this is what makes us different, and this is what makes our **Community Bank®** so successful.

Denise Handcock
Manager

Hawkesbury Community Financial Services Limited

Financial Statements

as at

30 June 2010

Directors' Report

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

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 (Deceased 27 May 2010)
Chairman
Company Director

Phillip John Isaacs
Director
Retired

Trevor George Hitchcock
Treasurer
Company Director

Brendon Watsford Rogers
Director
Company Director

Lesley Jean Carbery
Director
Company Director

Jeff John Godsell (Resigned 15 August 2009)
Director
Company Director

William John Kerr (Appointed 27 July 2009)
Director
Management Consultant

Martin Howard Burton
Director
Retired

Rachael Goldsworthy
Director
Real Estate Agent

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

Principal activities

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

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

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 $280,041 (2009: $248,538).

Dividends

A franked dividend of 11 cents per share was paid during the financial year ending 30 June 2010.

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 $5,787 (2009: $5,156) for the maintenance of the Company share registry for the year ended 30 June 2010.

No other Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Robert McCallum (Deceased 27 May 2010)	6 (10)	N/A
Trevor George Hitchcock	11 (11)	2 (2)
Phillip John Isaacs	9 (11)	N/A
Brendon Watsford Rogers	9 (11)	0 (2)
Lesley Jean Carbery	10 (11)	N/A
William John Kerr (Appointed 27 July 2009)	9 (11)	N/A
Jeff John Godsell (Resigned 15 August 2009)	0 (1)	N/A
Rachael Goldsworthy	8 (11)	N/A
Martin Howard Burton	10 (11)	2 (2)

 # The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

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

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

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

2 August 2010

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 2010, 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 2 August 2010.

Trevor Hitchcock, Chairman

Statement of Comprehensive Income
For the year ended 30 June 2010

	Notes	2010 $	2009 $
Revenues from ordinary activities	2	1,123,558	1,027,327
Employee benefits expense	3	(367,130)	(354,100)
Depreciation and amortisation expense	3	(31,818)	(32,472)
Finance costs	3	(12,478)	(14,175)
Charitable donations and sponsorship		(123,771)	(79,023)
Other expenses from ordinary activities		(177,400)	(202,348)
Profit before income tax expense		410,961	345,209
Income tax expense	4	130,920	96,671
Profit after income tax expense		280,041	248,538
Other comprehensive income		-	-
Total comprehensive income		280,041	248,538
Earnings per share (cents per share)			
- basic for profit for the year	22	44.81	39.77
- diluted for profit for the year	22	44.81	39.77

Statement of Financial Position
As at 30 June 2010

	Notes	2010 $	2009 $
Current Assets			
Cash and cash equivalents	6	973,484	742,292
Receivables	7	102,193	95,394
Total Current Assets		1,075,677	837,686
Non-Current Assets			
Property, plant and equipment	8	434,322	454,170
Intangible assets	9	20,000	30,000
Total Non-Current Assets		454,322	484,170
Total Assets		1,529,999	1,321,856
Current Liabilities			
Payables	10	45,051	51,044
Current tax payable	4	44,093	34,334
Loans and borrowings	11	13,525	13,207
Provisions	12	47,483	41,597
Total Current Liabilities		150,152	140,182
Non-Current Liabilities			
Loans and borrowings	11	129,988	143,105
Total Non-Current Liabilities		129,988	143,105
Total Liabilities		280,140	283,287
Net Assets		1,249,859	1,038,569
Equity			
Share capital	13	625,009	625,009
Retained earnings	14	549,850	338,560
Asset revaluation reserve		75,000	75,000
Total Equity		1,249,859	1,038,569

Statement of Cash Flows
For the year ended 30 June 2010

	Notes	2010 $	2009 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,197,521	1,079,223
Cash payments in the course of operations		(776,875)	(699,064)
Interest paid		(12,478)	(14,175)
Interest received		27,935	39,898
Income tax paid		(121,161)	(104,018)
Net cash flows from operating activities	15b	314,942	301,864
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,200)	(19,164)
Net cash flows used in investing activities		(2,200)	(19,164)
Cash Flows From Financing Activities			
Dividends paid		(68,751)	(68,751)
Repayment of borrowings		(12,799)	(11,281)
Net cash flows used in financing activities		(81,550)	(80,032)
Net increase (decrease) in cash held		231,192	202,668
Cash and cash equivalents at start of year		742,292	539,624
Cash and cash equivalents at end of year	15a	973,484	742,292

Statement of Changes in Equity
For the year ended 30 June 2010

	Notes	2010 $	2009 $
SHARE CAPITAL			
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		338,560	158,773
Profit after income tax expense		280,041	248,538
Dividends paid	21	(68,751)	(68,751)
Balance at end of year		549,850	338,560
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 the year ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Hawkesbury Community Financial Services Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

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

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

The financial statements were authorised for issue by the Directors on 2 August 2010.

(b) Statement of compliance

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

(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 2009 financial statements.

Income tax

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

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

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

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

Income tax (continued)

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

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

Property, plant and equipment

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

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

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.

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.

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

Goods and services tax (continued)

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

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

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

Employee Benefits

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

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

Intangibles

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

Cash

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

For the purposes of the 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.

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

Loans and Borrowings

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

Provisions

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

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

Share Capital

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

2. Revenue from ordinary activities

	2010 $	2009 $
Operating activities		
- services commissions	1,093,610	983,780
- other revenue	2,013	3,649
Total revenue from operating activities	1,095,623	987,429
Non-operating activities:		
- interest received	27,935	39,898
Total revenue from non-operating activities	27,935	39,898
Total revenue from ordinary activities	1,123,558	1,027,327

3. Expenses

Employee benefits expense		
- wages and salaries	269,216	295,686
- superannuation costs	73,086	34,537
- workers' compensation costs	844	855
- other costs	23,984	23,022
	367,130	354,100
Depreciation of non-current assets:		
- plant and equipment	11,912	12,566
- buildings	6,188	6,188
- fit out	3,718	3,718
Amortisation of non-current assets:		
- intangibles	10,000	10,000
	31,818	32,472

3. Expenses (continued)	**2010 $**	**2009 $**
Finance Costs:		
- Interest paid	12,478	14,175
Bad debts	1,205	1,988

4. Income Tax Expense

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

Prima facie tax on profit at 30%	123,288	103,563
Add tax effect of:		
- Non-deductible expenses	1,757	1,972
- Underprovision of prior year tax	6,205	-
Less tax effect of:		
- Other deductible expenses	(330)	(8,864)
Current income tax expense	130,920	96,671
Income tax expense	130,920	96,671
Tax liabilities		
Current tax payable	44,093	34,334

5. Auditors' Remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,650
- Share registry services	1,463	1,800
- Preparation and lodgement of taxation return	450	450
	5,813	5,900

6. Cash and Cash Equivalents

Cash at bank and on hand	973,484	742,292

7. Receivables

Trade debtors	102,193	95,394

8. Property, Plant and Equipment

	2010 $	2009 $
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	(39,566)	(33,378)
	207,934	214,122
Fit Out		
At cost	74,366	74,366
Less accumulated depreciation	(26,026)	(22,308)
	48,340	52,058
Plant and equipment		
At cost	155,437	155,217
Less accumulated depreciation	(84,889)	(74,727)
	70,548	80,490
Total written down amount	434,322	454,170

* Revaluation based on valuation completed by Hausfeld Johnson (Property Advisors & Valuers) on 11 July 2005 and confirmed by Directors as still appropriate in 2010.

Movements in carrying amounts

	2010 $	2009 $
Land		
Carrying amount at beginning of year	107,500	107,500
Additions	-	-
Disposals	-	-
Carrying amount at end of year	107,500	107,500
Building		
Carrying amount at beginning of year	214,122	220,310
Additions	-	-
Disposals	-	-
Revaluation buildings		-
Depreciation expense	(6,188)	(6,188)
Carrying amount at end of year	207,934	214,122
Fit Out		
Carrying amount at beginning of year	52,058	55,776
Additions	-	-
Disposals	-	-
Depreciation expense	(3,718)	(3,718)
Carrying amount at end of year	48,340	52,058
Plant and equipment		
Carrying amount at beginning of year	80,490	77,932
Additions	2,200	19,164
Disposals	(230)	(4,040)
Depreciation expense	(11,912)	(12,566)
Carrying amount at end of year	70,548	80,490

9. Intangible Assets

	2010 $	2009 $
Franchise Fee		
At cost	10,000	10,000
Less accumulated amortisation	(6,000)	(4,000)
	4,000	6,000
Preliminary Expenses		
At cost	40,000	40,000
Less accumulated amortisation	(24,000)	(16,000)
	16,000	24,000
	20,000	30,000

10. Payables

	2010 $	2009 $
Trade creditors	15,440	26,339
GST payable	29,611	24,705
	45,051	51,044

11. Loans and Borrowings

	2010 $	2009 $
Current		
Bank Loan - secured	13,525	13,207
Non-Current		
Bank Loan - secured	129,988	143,105
	143,513	156,312

Bank loans are repayable monthly with the final instalment due on 10/03/2018. The loans are secured by mortgage over the freehold land and building of the company.

12. Provisions

	2010 $	2009 $
Employee benefits	47,483	41,597

13. Share Capital

	2010 $	2009 $
625,009 Ordinary Shares fully paid of $1 each	625,009	625,009

14. Retained Earnings

	2010 $	2009 $
Balance at the beginning of the financial year	338,560	158,773
Profit after income tax	280,041	248,538
Dividends paid	(68,751)	(68,751)
Balance at the end of the financial year	549,850	338,560

15. Statement of Cash Flows

	2010	2009
	$	$
(a) *Cash and cash equivalents*		
Cash assets	973,484	742,292

(b) *Reconciliation of profit after tax to net cash used in operating activities*

	2010	2009
Profit after income tax	280,041	248,538
Non cash items		
- Depreciation	21,818	22,472
- Amortisation	10,000	10,000
- Fixed assets written off	230	4,040
Changes in assets and liabilities		
- (Increase) decrease in receivables	(6,799)	3,212
- Increase (decrease) in payables	(5,993)	14,376
- Increase (decrease) in provisions	5,886	6,573
- Increase (decrease) in current tax payable	9,759	(7,347)
Net cashflows from / (used in) operating activities	314,942	301,864

16. Director and Related Party Disclosures

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

Robert McCallum (Deceased 27 May 2010)
Trevor George Hitchcock
Phillip John Isaacs
Brendon Watsford Rogers
Lesley Jean Carbery
William John Kerr (Appointed 27 July 2009)
Jeff John Godsell (Resigned 15 August 2009)
Rachael Goldsworthy
Martin Howard Burton

Loss Management Services Pty Ltd, a company of which Lesley Carbery is a director, has received $5,787 (2009: $5,156) for the maintenance of the Company share registry for the year ended 30 June 2010. 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	**2010**	**2009**
Robert McCallum (Deceased 27 May 2010)	6,000	6,001
Trevor George Hitchcock	11,001	11,001
Phillip John Isaacs	5,001	5,001
Brendon Watsford Rogers	1	-
Lesley Jean Carbery	5,000	5,000
William John Kerr (Appointed 27 July 2009)	-	-
Jeff John Godsell (Resigned 15 August 2009)	-	-
Rachael Goldsworthy	-	-
Martin Howard Burton	-	-

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

17. Subsequent Events

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

18. Contingent Liabilities

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

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.

20. Corporate Information

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

The registered office and principal place of business is:

Shops 7 & 8
36 Riverview Street
North Richmond NSW 2754

21. Dividends paid or provided for on ordinary shares	2010 $	2009 $
(a) Dividends paid during the year		
Franked dividends - 11 cents per share (2009: 11 cents)	68,751	68,751
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 14 cents per share (2009: 11 cents)	87,501	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%	235,979	144,282
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	44,093	34,334
- Franking debits that will arise from the payment of dividends proposed and recognised as a liability at the end of the financial year	-	-
	280,072	178,616

The tax rate at which dividends paid have been franked is 30% (2009: 30%).
Dividends proposed will be franked at a rate of 30% (2009: 30%).

22. Earnings per share	2010	2009
	$	$
Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit after income tax expense	280,041	248,538
Weighted average number of ordinary shares for basic and diluted earnings per share	625,009	625,009

23. Financial risk management

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

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

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

(a) Credit Risk

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

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

	Carrying Amount 2010 $		Carrying Amount 2009 $
Cash assets	973,484	-	742,292
Receivables	102,193	-	95,394
	1,075,677		837,686

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 (2009: 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.

23. Financial risk management (continued)

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

30 June 2010	Carrying amount $	Contractual cash flows $	1 year or less $	over 1 to 5 years $	more than 5 years $
Payables	45,051	(45,051)	(45,051)	-	-
Loans and borrowings	143,513	(201,996)	(26,064)	(104,256)	(71,676)
	188,564	(247,047)	(71,115)	(104,256)	(71,676)
30 June 2009					
Payables	51,044	(51,044)	(51,044)	-	-
Loans and borrowings	156,312	(215,880)	(24,672)	(98,688)	(92,520)
	207,356	(266,924)	(75,716)	(98,688)	(92,520)

(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	
	2010	2009
Fixed rate instruments	$	$
Financial assets	625,000	578,832
Financial liabilities	-	-
	625,000	578,832
Variable rate instruments		
Financial assets	348,484	163,460
Financial liabilities	(143,513)	(156,312)
	204,971	7,148

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.

23. Financial risk management (continued)

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

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

Directors' Declaration

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 2010 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.

Trevor Hitchcock, Chairman

Signed at Hawkesbury on 2 August 2010.

Richmond Sinnott & Delahunty

Chartered Accountants

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

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Hawkesbury Community Financial Services Limited, for the year ended 30 June 2010.

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.

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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 2010 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: 2 August 2010