North Richmond **Community Bank®** Branch

annual report 2012

Hawkesbury Community Financial Services Limited

ABN 97 099 838 463

Contents

Chairman's Report

For year ending 30 June 2012

Results

The company's profit for the year before tax of $321,742 was derived from a decrease in revenue of 0.76% and an increase in expenses of 0.25%.

The total banking business increased by $5.92 million to $121.01million

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.

Our audited accounts follow in this Annual Report.

External Factors

The flow on from the GFC continues to have an effect on funding for all banks in Australia with much more emphasis on retail funding due to the high cost of wholesale funding.

Community

Our mission to provide benefits to our community continues with a return through donations and sponsorships of $148,980 in the 2011/12 financial year. We have provided funding to 19 different categories over the last ten years.

Staff

Our staff continue to walk the talk with our community engagement objectives as well as providing the service to our customers that is expected from our **Community Bank®** branch. They continue to deliver Meals on Wheels and again supported the Cancer Council. The provision of scarves and beanies to Meals on Wheels customers and further CPR training nights were also staff initiatives. We have welcomed Gail as a new member of staff and Jo is currently on maternity leave.

Manager

Our new Manager Tony Weller joined us in September 2011 and has settled in well to the challenge of continuing to build the business and the relationships with our customers and the community.

Directors

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

10 Year Reflections

On 10 September 2002 we opened the doors of the North Richmond **Community Bank®** Branch and took the first steps along the road to building a successful business. Our aims were to provide a banking alternative to the Hawkesbury community which keeps the profits in Hawkesbury, a reward to our shareholders and support to the local community. With the help of our customers and shareholders we have achieved all of the above. Turning a first year loss of $216,238 into a profit in year three, paying our first dividend to shareholders of 3 cents per $1 share unfranked in 2006 and paying franked dividends every year since rising to the current 14 cents per $1 share, and we have returned more than $800,000 in support of community projects.

This is not the end but the beginning. As we enter our second decade we look forward to being able to report even more favourably in 2022.

Trevor Hitchcock FAICD IENG MIET
Chairman

Tenth Birthday Celebrations 14 September 2012

Photos: Charles Sutton, Kellie Scholte, Doug Carbery

Company Chair
Trevor Hitchcock

Director/Company Secretary
Lesley Carbery

Director
Phill Isaacs

Director
Bill Kerr

Director
Bob Peirce

Director
Martin Burton

Former Directors Janice Svenson, Cheryle Symons, Kathy McManus,
Frank Swavely and Bob Brierley

Foundation Manager
Denise Handcock

Manager Tony Weller; Staff Members Chris, Kellie, Jo, Lizzie, Vicki, Sue and Gail

Manager's Report

For year ending 30 June 2012

This past 12 months has seen a big change for the **Community Bank®** branch with its original long standing Manager Denise Handcock leaving. Having never worked for Bendigo and Adelaide Bank I found the **Community Bank®** model very interesting and the more I work here the more I see how much it does and can give to the local community.

Hawkesbury Community Financial Services Limited has contributed more than $810,000 to the local community since the Banks opening back in September 2002. This reflects how everyone can benefit from supporting local businesses, which is what we always strive to do as this strengthens the local economy.

The branch is here to both provide banking for our customers and also help strengthen the Community. We have supported local Rural Fire Brigades, community groups and so many others who all work in supporting the local people.

The past 12 months have continued to be challenging for all Australian banks and we are no different, however we feel our mixture of excellent service combined with competitive products puts us in good stead to meet the challenges and continue to grow our business.

All of this is of course not possible without a great team in Chris, Kellie, Jo, Liz, Vicki, Sue and our newest Gail. We also have a great volunteer Board of Directors in Trevor, Phill, Lesley, Bill, Martin and Bob. Their commitment, guidance and support continue to make this **Community Bank®** branch a strong and growing business in the local area.

Finally I must thank the people and businesses who choose to bank with us as without them we would not be able to support all the wonderful local organisations who give so much back to our local Community.

Tony Weller
Manager

Photo: Kylie Pitt

Hawkesbury Community Financial Services Limited

Financial Statements

as at

30 June 2012

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

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

Directors

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

Trevor George Hitchcock Chairman Company Director Board member since 27 March 2002	Phillip John Isaacs Director Retired Board member since 21 December 2003
Lesley Jean Carbery Director Company Director Board member since 24 January 2005	Martin Howard Burton Director Retired Board member since 23 March 2009
William John Kerr Director Management Consultant Board member since 27 July 2009	Robert Edward Bennell Peirce Director Accountant Board member since 29 March 2011
Rachael Goldsworthy (resigned 8 May 2012) Director Real Estate Agent Board member since 23 March 2009	William Brian Russell (resigned 31 December 2011) Director Retired Board member since 29 March 2011

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 $227,189 (2011: $230,419).

Financial position

The net assets of the company have increased by $139,688 from June 30, 2011 to $1,532,465 in 2012. The increase is largely due to improved operating performance of the company.

Dividends

A franked dividend of 14 cents per share was paid during the financial year ending 30 June 2012 (2011: 14 cents per share).

Significant changes in the state of affairs

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

Hawkesbury Community Financial Services Limited
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Directors' Report

Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company
No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration report

Loss Management Services Pty Ltd, a company of which Lesley Carbery is a director, has received $Nil (2011: $412) for the maintenance of the company share registry for the year ended 30 June 2012.

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.

The company has accepted the Community Bank directors privilege package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with Hawkesbury Community Financial Services Limited. There is no requirement to own Bendigo and Adelaide Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Indemnifying officers or auditor

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

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

Hawkesbury Community Financial Services Limited
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Directors' Report

Directors meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Trevor George Hitchcock	11 (12)	3(3)
Phillip John Isaacs	11 (12)	N/A
Lesley Jean Carbery	12 (12)	3(3)
Martin Howard Burton	7 (12)	3(3)
William John Kerr	9 (12)	N/A
Robert Edward Bennell Peirce	12 (12)	3(3)
Rachael Goldsworthy (resigned 8 May 2012)	7 (10)	N/A
William Brian Russell (resigned 31 December 2011)	4 (6)	N/A

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

Company secretary

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

Corporate governance

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

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

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Directors received the auditor's independence declaration for the year ended 30 June 2012 that is shown on page 9 of this Annual Report.

Signed in accordance with a resolution of the Board of Directors of Hawkesbury Community Financial Services Limited on 20 August 2012.

T C Hitchcock

Trevor Hitchcock
Chairman

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

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

To the Directors of Hawkesbury Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 20 August 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Philip Delahunty
Cara Hall, Kathie Teasdale
Brett Andrews, David Richmond

Hawkesbury Community Financial Services Limited
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Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	2012 $	2011 $
Revenue	2	1,153,328	1,162,196
Employee benefits expense	3	(435,812)	(415,784)
Depreciation and amortisation expense	3	(30,294)	(30,141)
Finance costs	3	(10,451)	(12,003)
Other expenses		(206,049)	(223,177)
Operating profit before charitable donations & sponsorships		470,722	481,091
Charitable donations and sponsorship		(148,980)	(148,314)
Profit before income tax expense		321,742	332,777
Income tax expense	4	94,553	102,358
Net profit for the year		227,189	230,419
Other comprehensive income		-	-
Total comprehensive income for the year		227,189	230,419
Earnings per share (cents per share)			
- basic for profit for the year	22	36.35	36.87
- diluted for profit for the year	22	36.35	36.87

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	2012 $	2011 $
Assets			
Current Assets			
Cash and cash equivalents	6	1,252,209	1,113,223
Receivables	7	94,792	97,727
Total Current Assets		1,347,001	1,210,950
Non-Current Assets			
Property, plant and equipment	8	396,668	415,628
Intangible assets	9	-	9,996
Total Non-Current Assets		396,668	425,624
Total Assets		1,743,669	1,636,574
Liabilities			
Current Liabilities			
Payables	10	43,284	44,655
Current tax payable	4	5,545	13,408
Loans and borrowings	11	16,616	15,047
Provisions	12	47,215	55,774
Total Current Liabilities		112,660	128,884
Non-Current Liabilities			
Loans and borrowings	11	98,544	114,913
Total Non-Current Liabilities		98,544	114,913
Total Liabilities		211,204	243,797
Net Assets		1,532,465	1,392,777
Equity			
Issued capital	13	625,009	625,009
Retained earnings	14	832,456	692,768
Asset revaluation reserve		75,000	75,000
Total Equity		1,532,465	1,392,777

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,195,489	1,236,601
Cash payments in the course of operations		(908,969)	(895,595)
Interest paid		(10,297)	(12,003)
Interest received		68,818	46,276
Income tax paid		(102,416)	(133,043)
Net cash flows from operating activities	15b	242,625	242,236
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,338)	(1,443)
Net cash flows used in investing activities		(1,338)	(1,443)
Cash Flows From Financing Activities			
Dividends paid		(87,501)	(87,501)
Repayment of borrowings		(14,800)	(13,553)
Net cash flows used in financing activities		(102,301)	(101,054)
Net increase (decrease) in cash held		138,986	139,739
Cash and cash equivalents at start of year		1,113,223	973,484
Cash and cash equivalents at end of year	15a	1,252,209	1,113,223

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited
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Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	2012 $	2011 $
ISSUED 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		692,768	549,850
Profit after income tax expense		227,189	230,419
Dividends paid	21	(87,501)	(87,501)
Balance at end of year		832,456	692,768
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

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
for the year ended 30 June 2012

1. Summary of significant accounting policies

(a) Basis of preparation

Hawkesbury Community Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 20 August 2012.

(b) 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.

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.

Hawkesbury Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(c) 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 are measured at fair value less accumulated depreciation.

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.

Revaluations
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment 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.

Hawkesbury Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(e) 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 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.

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) Cash

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

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

(i) Revenue

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

(j) Receivables and payables

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

Hawkesbury Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

(m) 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.

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Hawkesbury Community Financial Services Limited
ABN 97 099 838 463
Notes to the Financial Statements
for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities
Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

Hawkesbury Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2012

	2012	2011
2. Revenue	$	$
Revenue from continuing activities		
- services commissions	1,078,565	1,115,356
- other revenue	5,945	564
	1,084,510	1,115,920
Other revenue		
- interest received	68,818	46,276
	1,153,328	1,162,196
3. Expenses		
Employee benefits expense		
- wages and salaries	375,769	333,398
- superannuation costs	39,678	54,898
- workers' compensation costs	938	1,123
- other costs	19,427	26,365
	435,812	415,784
Depreciation of non-current assets:		
- plant and equipment	10,392	10,231
- buildings	6,188	6,188
- fit out	3,718	3,718
Amortisation of non-current assets:		
- intangible assets	9,996	10,004
	30,294	30,141
Finance Costs:		
- Interest paid	10,451	12,003
Bad debts	336	293

4. Income tax expense

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

	2012	2011
Prima facie tax on profit at 30%	96,523	99,833
Add tax effect of:		
- Non-deductible expenses	1,490	2,487
- Underprovision of prior year tax	-	38
Less tax effect of:		
- Other deductible expenses	(3,460)	-
Current income tax expense	94,553	102,358
Income tax expense	94,553	102,358
The applicable weighted average effective tax rate is	29.38%(27%)	30.76%
Tax liabilities		
Current tax payable	5,545	13,408

Hawkesbury Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2012

	2012	2011
5. Auditors' remuneration	$	$
Remuneration of the auditor for:		
- Audit or review of the financial report of the company	3,900	3,900
- Share registry and printing services	2,461	2,561
- Taxation services	500	500
	6,861	6,961
6. Cash and cash equivalents		
Cash at bank and on hand	1,252,209	1,113,223
The effective interest rate on short term bank deposits was 1.709% (2011 - 2.024%)		
7. Receivables		
Trade debtors	94,792	97,727
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	(51,942)	(45,754)
	195,558	201,746
Fit Out		
At cost	74,366	74,366
Less accumulated depreciation	(33,462)	(29,744)
	40,904	44,622
Plant and equipment		
At cost	142,787	142,457
Less accumulated depreciation	(90,081)	(80,697)
	52,706	61,760
Total written down amount	396,668	415,628

* Revaluation based on valuation completed by Hausfeld Johnson (Property Advisors & Valuers) on 11 July 2005 and confirmed by Directors as still appropriate in 2012.

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for the year ended 30 June 2012

8. Property, plant and equipment (continued)	**2012 $**	**2011 $**
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
Building		
Carrying amount at beginning of year	201,746	207,934
Additions	-	-
Disposals	-	-
Revaluation buildings	-	-
Depreciation expense	(6,188)	(6,188)
Carrying amount at end of year	195,558	201,746
Fit Out		
Carrying amount at beginning of year	44,622	48,340
Additions	-	-
Disposals	-	-
Depreciation expense	(3,718)	(3,718)
Carrying amount at end of year	40,904	44,622
Plant and equipment		
Carrying amount at beginning of year	61,760	70,548
Additions	1,338	1,443
Disposals	-	-
Depreciation expense	(10,392)	(10,231)
Carrying amount at end of year	52,706	61,760

9. Intangible assets

Franchise Fee		
At cost	10,000	10,000
Less accumulated amortisation	(10,000)	(8,000)
	-	2,000
Preliminary Expenses		
At cost	40,000	40,000
Less accumulated amortisation	(40,000)	(32,004)
	-	7,996
	-	9,996

10. Payables

Trade creditors	20,855	19,897
GST payable	22,429	24,758
	43,284	44,655

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11. Loans and borrowings	**2012**	**2011**
	$	**$**
Current		
Bank Loan - secured	16,616	15,047
Non-Current		
Bank Loan - secured	98,544	114,913
	115,160	129,960

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

12. Provisions

Employee benefits	47,215	55,774
Movement in employee benefits		
Opening balance	55,774	47,483
Additional provisions recognised	2,975	17,860
Amounts utilised during the year	(11,534)	(9,569)
Closing balance	47,215	55,774

13. Share capital

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

The company has authorised share capital amounting to 625,009 ordinary shares.

14. Retained earnings

Balance at the beginning of the financial year	692,768	549,850
Profit after income tax	227,189	230,419
Dividends paid	(87,501)	(87,501)
Balance at the end of the financial year	832,456	692,768

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15. Statement of cash flows	**2012 $**	**2011 $**
(a) *Cash and cash equivalents*		
Cash assets	1,252,209	1,113,223
(b) *Reconciliation of profit after tax to net cash used in operating activities*		
Profit after income tax	227,189	230,419
Non cash items		
- Depreciation	20,298	20,137
- Amortisation	9,996	10,004
Changes in assets and liabilities		
- (Increase) decrease in receivables	2,935	4,466
- Increase (decrease) in payables	(1,371)	(396)
- Increase (decrease) in provisions	(8,559)	8,291
- Increase (decrease) in current tax payable	(7,863)	(30,685)
Net cashflows from / (used in) operating activities	242,625	242,236

16. Director and related party disclosures

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

Trevor George Hitchcock
Phillip John Isaacs
Lesley Jean Carbery
Martin Howard Burton
William John Kerr
Robert Edward Bennell Peirce
Rachael Goldsworthy (resigned 8 May 2012)
William Brian Russell (resigned 31 December 2011)

Loss Management Services Pty Ltd, a company of which Lesley Carbery is a director, has received $Nil (2011: $412) for the maintenance of the company share registry for the year ended 30 June 2012. 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.

The company has accepted the Community Bank directors privilege package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with Hawkesbury Community Financial Services Limited. There is no requirement to own Bendigo and Adelaide Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Directors shareholdings	**2012**	**2011**
Trevor George Hitchcock	11,001	11,001
Phillip John Isaacs	5,001	5,001
Lesley Jean Carbery	10,000	5,000
Martin Howard Burton	-	-
William John Kerr	-	-
Robert Edward Bennell Peirce	-	-
Rachael Goldsworthy (resigned 8 May 2012)	-	-
William Brian Russell (resigned 31 December 2011)	-	-

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

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17. Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

18. Contingent liabilities and assets

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

19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Hawkesbury, NSW. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

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	**2012** **$**	**2011** **$**
(a) Dividends paid during the year		
Franked dividends - 14 cents per share (2011: 14 cents)	87,501	87,501
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 14 cents per share (2011: 14 cents)	87,501	87,501
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	396,436	331,521
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	5,545	13,408
- Franking debits that will arise from the payment of dividends proposed and recognised as a liability at the end of the financial year	-	-
	401,981	344,929

The tax rate at which dividends paid have been franked is 30% (2011: 30%).
Dividends proposed will be franked at a rate of 30% (2011: 30%).

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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:

	2012 $	2011 $
Profit after income tax expense	227,189	230,419
Weighted average number of ordinary shares for basic and diluted earnings per share	625,009	625,009

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Notes to the Financial Statements
for the year ended 30 June 2012

23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.
The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012	2012 $	2011 $
Financial Assets				
Cash & cash equivalents	6		1,252,209	1,113,223
Receivables	7		94,792	97,727
Total Financial Assets			1,347,001	1,210,950
Financial Liabilities				
Payables	10		43,284	44,655
Loans and borrowings	11		115,160	129,960
Total Financial Liabilities			158,444	174,615

Financial Risk Management Policies

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

Specific Financial Risk Exposure and Management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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	
	2012	2012 $	2011 $
Cash and cash equivalents		1,252,209	1,113,223
Receivables		94,792	97,727
		1,347,001	1,210,950

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

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Notes to the Financial Statements
for the year ended 30 June 2012

23. Financial risk management (continued)

(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.

Financial liability and financial asset maturity analysis

30 June 2012	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial Liabilities due for payment				
Payables	(43,284)	(43,284)	-	-
Loans and borrowings	(115,160)	(16,616)	(98,544)	-
Total expected outflows	(158,444)	(59,900)	(98,544)	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	1,252,209	1,252,209	-	-
Receivables	94,792	94,792	-	-
Total anticipated inflows	1,347,001	1,347,001	-	-
Net (Outflow)/Inflow on financial instruments	1,188,557	1,287,101	(98,544)	-

30 June 2011	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial Liabilities due for payment				
Payables	(44,655)	(44,655)	-	-
Loans and borrowings	(129,960)	(15,047)	(114,913)	-
Total expected outflows	(174,615)	(59,702)	(114,913)	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	1,113,223	1,113,223	-	-
Receivables	97,727	97,727	-	-
Total anticipated inflows	1,210,950	1,210,950	-	-
Net (Outflow)/Inflow on financial instruments	1,036,335	1,151,248	(114,913)	-

Financial assets pledged as collateral

The loans are secured by mortgage over the freehold land and buildings of the company.

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Notes to the Financial Statements
for the year ended 30 June 2012

23. Financial risk management (continued)

(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 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	
	2012	**2011**
Fixed rate instruments	**$**	**$**
Financial assets	875,000	625,000
Financial liabilities	-	-
	875,000	625,000
Floating rate instruments		
Financial assets	377,209	488,223
Financial liabilities	(115,160)	(129,960)
	262,049	358,263

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

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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Notes to the Financial Statements
for the year ended 30 June 2012

23. Financial risk management (continued)

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 2012 can be seen in the Statement of Comprehensive Income.

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

Hawkesbury Community Financial Services Limited
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Directors' Declaration

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

1 the financial statements and notes of the company as set out on pages 5 to 24 are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

(ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Trevor Hitchcock, Chairman

Signed at Hawkesbury on 20 August 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Hawkesbury Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the period ended 30 June 2012.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

In our opinion:

(a) the financial report of Hawkesbury Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the period ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 20 August 2012

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

Bendigo Bank

Franchisee:
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(BMPAR12051) (08/12)