

**Shoalhaven
Community
Financial
Services
Limited**

Annual Report

2009

Directors

Gilbert Beek **Chairman**
Barry Russell **Deputy Chairman**
Phil Balding **Corporate Secretary/Treasurer**
John Anderson
Cameron Boxsell
Robert Bruderlin
Kevin Bourke
Mike James

Branch Staff

Peter Done Branch Manager
Barry McCaffery Business Development Manager
Maree Ducret Customer Relations Officer
Adele Milton Customer Services Officer
Linda Mitchell Customer Services Officer
Debra Parker Customer Services Officer

Branch Location

98 Kinghorne Street Nowra N.S.W. 2541

Registered Office

72 Osborne Street Nowra N.S.W. 2541

Business Office

Level 1, 98 Kinghorne Street Nowra N.S.W. 2541

Telephone No. (02) 4422 7574

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Nowra & District Community Bank® Branch "is one of the leading Community Banks in NSW"

During the period from when Gilbert Beek first approached Bendigo Bank in August 2006, to the formation of our Steering Committee, the incorporation of our Company in November 2007 and the opening of the branch on the 12th June 2008 commitment and dedication has risen to ensure that the **Nowra & District Community Bank® Branch** is a leader among other community banks.

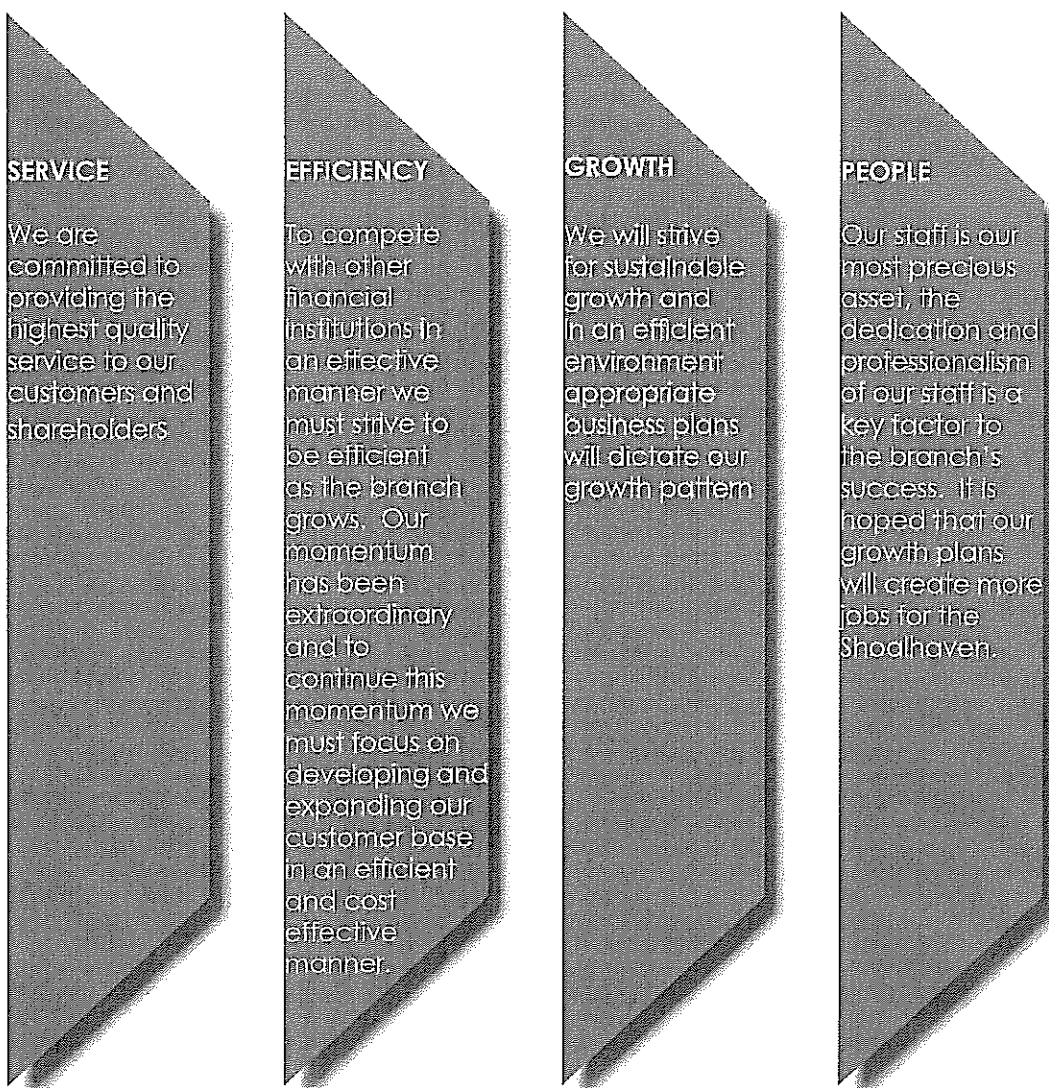
OUR VISION

To provide a comprehensive and competitive banking and financial service to the Shoalhaven that will ensure a satisfactory return to shareholders and at the same time return profits to the community for worthwhile projects.

The Board sees the **Nowra & District Community Bank® Branch** as the first of a number of banking facilities throughout the catchment area. It is envisaged that within a period of time, limited banking facilities will be established in outlying villages of Berry, Bomaderry, Callala Bay/Beach, Culburra Beach, Kangaroo Valley and Shoalhaven Heads.

OUR KEY OBJECTIVES

Creating Shareholder Value by



CHAIRMAN'S REPORT

I am pleased to advise that although the Branch fell short of our predicted growth, I can assure you that our growth trends to date are encouraging and the Branch is well positioned to excel in 2009/10

The Branch has done its utmost to retain deposits despite the global economic crisis. Your **Community Bank® Branch** prides itself in old fashioned and courteous service and, as a result, has now achieved a significant milestone of \$30m in deposits and loans.

During the year, our Treasurer, John Tobin resigned and on behalf of the Board I thank him for his contribution and the hard work before and after our Branch opened. To my fellow directors I thank them publicly for their contribution especially the work undertaken by our Secretary, Phillip Balding who also took on the added responsibility of Treasurer.

Our directors have been visible and hardworking as the company displayed its Branch services at Shoalhaven on Show, The Shoalhaven Anniversary Air Day at Albatross, the Berry Show and the Shoalhaven Lifestyle Expo.

The Branch staff of Peter Done, Barry McCaffery, Maree Ducret, Adele Milton, Linda Mitchell, Debra Parker and Lynette Quinn have all delivered first class service to our customers.

I look forward to our **Nowra & District Community Bank® Branch** achieving further significant milestones in the coming years.

COMPANY SECRETARY'S REPORT

As mentioned in last years annual report a lot of hard work has gone into establishing a Bendigo Community Bank® Branch at Nowra.

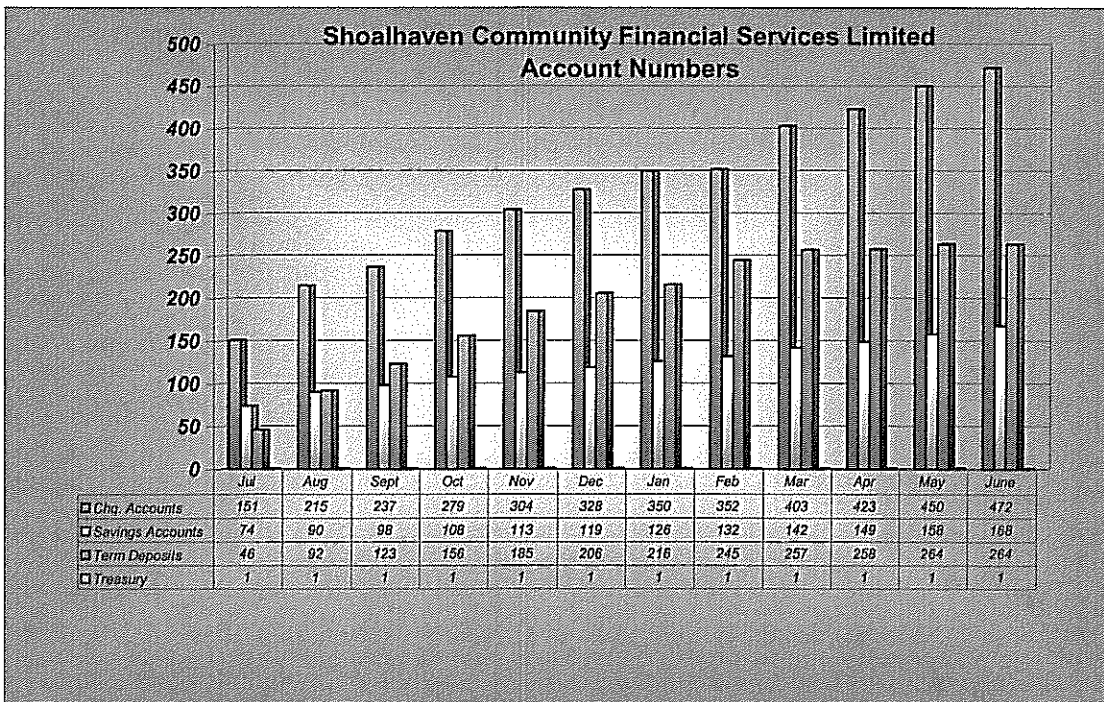
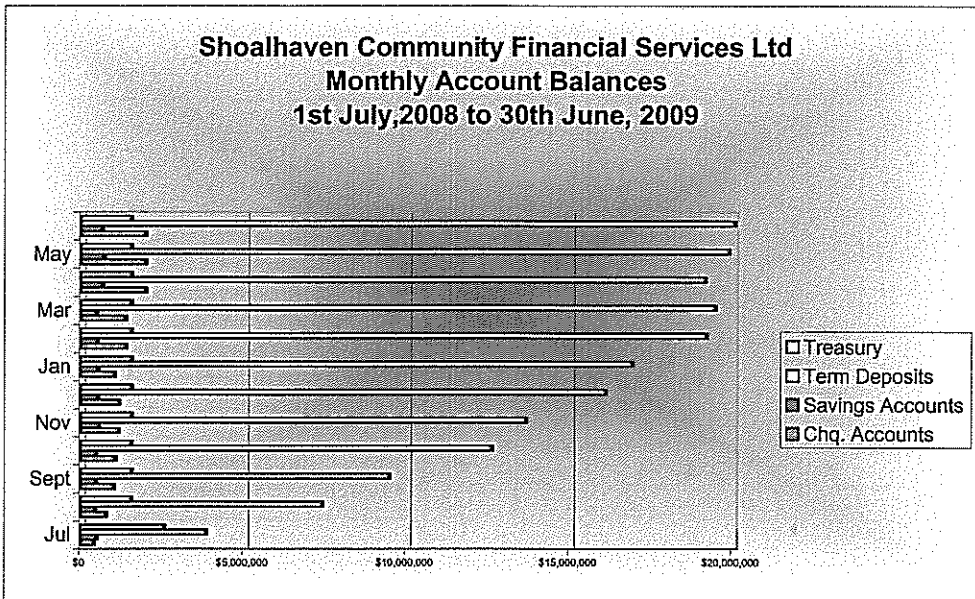
This hard work has continued with our Directors working tirelessly to ensure that the Shoalhaven Area has a community bank that prides itself on service.

During the past year the Branch achieved a number of very important milestones. Firstly it achieved an impressive \$30m in loans and deposits in just over 12 months. This growth has been made against the background of the Global Financial Crisis and in particular American Banks giving banks generally a bad name.

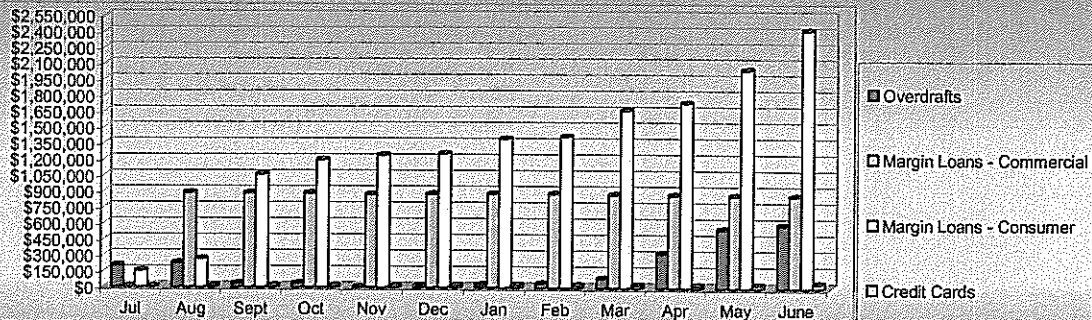
The support and confidence from the Shoalhaven community has been very encouraging to both the Board and the Staff.

The performance of the branch, whilst not meeting its budgetary expectations has exceeded all other expectations and with our management team, branch staff and the Shoalhaven Community we will continue to grow and exceed the performance targets set this year and beyond.

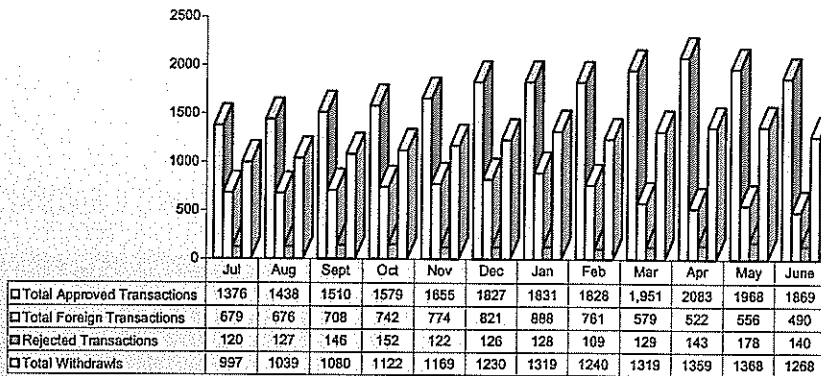
Snapshot of the branch's performance 1st July 2008 to 30th June 2009



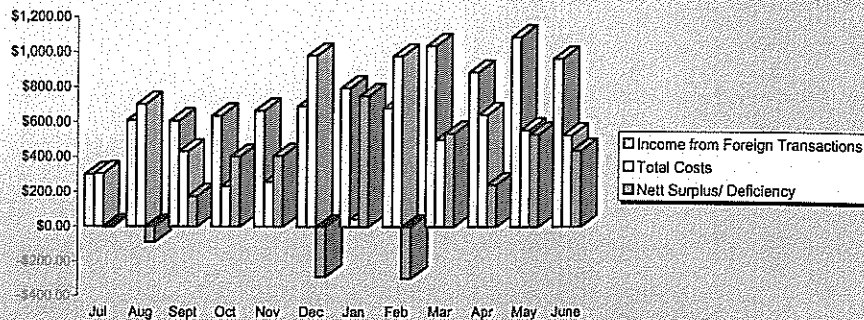
Shoalhaven Community Financial Services Limited Credit & Loan Facilities



Shoalhaven Community Financial Services Limited Growth in ATM Transactions - Nowra Branch



Shoalhaven Community Financial Services Limited Revenue ATM Transactions - Nowra Branch



BRANCH MANAGER'S REPORT

The Branch has performed well during the first 12 months of operation. Little did we know that at the commencement of our first year of trading the world would experience the "Global Financial Crisis" (GFC) and the effects that it would have on the Branch's business.

The financial crisis accounted for a reduction in the Branch's margins. This had a significant impact on revenues on both lending and deposits.

The **Nowra & District Community Bank® Branch** achieved a number of milestones during the year including:

- Fastest growing Community Bank Branch within a 12 month period.
- Branch of the month – August 2008
- Winner of the General Insurance sales competition within the region.

The Branch is here to build and support communities.

BUSINESS DEVELOPMENT MANAGER'S REPORT

The **Nowra & District Community Bank® Branch** strives to ensure that our customers receive a level of satisfaction second to none and we will continue to do so in the future.

The Branch's initiative in bringing to the community James Holloway, the Deputy Head of Economics from the Reserve Bank, was an outstanding success. Mr. Holloway was able to provide the community an insight on how the Reserve Bank saw the Australian economy progressing during and beyond the economic crisis. It is hoped James will return in 2010.

The Branch's business plan for the coming 12 months is to pursue both business and savings accounts. According to Roy Morgan Research the Bendigo and Adelaide Bank Ltd. is a clear leader in satisfaction ratings among business owners.

The **Nowra & District Community Bank® Branch** continues to recruit many of the "Not for Profit" organisations and the Branch has provided Community Grants to many local groups to assist with their fundraising objectives. Fundraising in today's economic climate is becoming harder and to assist the Branch has initiatives in place to assist those members within the Shoalhaven.

The Branch continues to offer its facilities for display purposes for our "Not for Profit" organisations. The displays this year included:

- State Emergency Services
- Royal Volunteer Coastal Patrol
- Vietnam Vets

Today the electronic media plays an important part in our lives. To supplement the monthly newsletter the branch provides the latest information on interest rates, stock exchange news and media releases. Should you wish to be part of this initiative please contact the Business Development Manager.

Marketing and Sponsorship

The **Nowra & District Community Bank® Branch** has been active in marketing our services to the community. Throughout the year the Branch held displays at the following events:

- The Berry Agricultural Show
- Shoalhaven on Show
- The Kangaroo Valley Show
- HMAS Albatross 50th Anniversary Air Show
- The Shoalhaven Lifestyle Expo.

During the year the **Nowra & District Community Bank® Branch** donated grants to the following organisations:

Shoalhaven Marine Rescue Association
Relay for Life
Berry Public School (Young Achiever Award)
Hands Across NSW (Drought Relief)
Noahs Ark
The Victorian Bush Fire Appeal
Shoalhaven City Turf Club
Nowra Family Support Service

In conjunction with other local Community Bank branches, **Nowra & District Community Bank® Branch** contributed to the South Coast Aerial Patrol Service to keep beaches safe.

It is the policy of the **Nowra & District Community Bank® Branch** to continue to help fund and support worthwhile community projects.

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 77 128 253 065

FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

Your Directors submit the financial report of the company for the financial period 1st July 2008 to 30th June 2009.

Directors

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

Gilbert Beek
Chairman,
Non Executive Director
Age: 80
Retired Company Director

Phillip A Balding
Company Secretary,
Non Executive Director
Age: 60
Certified Practising Accountant

John Anderson
Non Executive Director
Age: 65
Retired

Michael James
Non Executive Director
Age: 54
Company Director

Barry G Russell
Non Executive Director
Age: 64
Retired Civil Engineer

Robert Bruderlin
Non Executive Director
Age: 53
Proprietor Retail Stores

Kevin Bourke
Non Executive Director
Age: 63
Insurance Consultant

Cameron L Boxsell
Non Executive Director
Age: 48
Proprietor Pool & Spa

During the financial year Mr Michael Barwick, Mr Ian Zandstra and Mr John Tobin resigned from the Board. Mr John Anderson was elected to the Board by shareholders at the company's Annual General Meeting in November 2008.

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

Principal Activities

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

Operating Results

The loss of the company for the financial period after provision for income tax was:

Period Ended
30 June 2009
\$439,904

Dividends

No dividends were declared or paid for since incorporation and the directors recommend that no dividend be paid for the current period.

Significant changes in the state of affairs

In the opinion of the directors there has been no significant change in the state of affairs of the company that occurred during the financial year under review.

Significant events after the balance date

Directors advise that there were no matters or circumstances that have arisen since the end of the financial period 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.

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

Likely Developments

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

Directors' Benefits

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

Indemnification and Insurance of Directors and Officers

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

Insurance Premiums

During the financial year the company has paid premiums in respect of directors' and officers' liability insurance contracts for the year ended 30 June 2009 and since the financial year, the company has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2010. Such insurance contracts insure against certain liability (subject to specific exclusions) of persons who are or have been directors or executive officers of the company.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Directors Meetings

The number of Directors meetings (including meetings of committees of directors) and the number of meetings attended by each of the Directors of the company during the year are –

	Full Board	Audit	Governance	Marketing Sponsorship	Property	Human Resources	Finance
Total Number of Meetings Held	14	1	1	10	4	10	10
Gilbert Beek	13	1	-	-	2	7	7
Phillip Balding	14	1	1	-	4	10	10
John Tobin	12	1	-	5	-	-	9
Barry Russell	9	-	1	2	4	6	10
Robert Bruderlin	11	-	-	5	4	10	-
Michael James	11	-	-	9	-	-	-
Cameron Boxsell	12	-	-	9	-	-	-
John Anderson	6	-	-	-	-	-	-
Kevin Bourke	14	-	-	5	-	-	-

Non-audit services

The Directors advise that since incorporation RSM Bird Cameron Partners have not carried out any other services in addition to their statutory duties.

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED


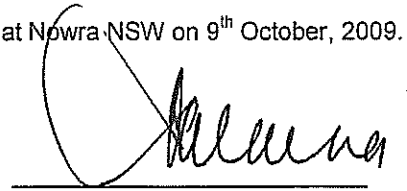
Auditor's Independence Declaration

A copy of the auditor's independence declaration is included as part of these financial statements for the financial year ended 30 June 2009.

Rounding Off

The Financial Report and the Directors' Report have been rounded off to the nearest one dollar unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors at Nowra NSW on 9th October, 2009.


Barry G Russell, Acting Chairman
Phillip A Balding, Secretary

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

INCOME STATEMENT

FOR THE PERIOD 1ST JULY 2008 TO 30TH JUNE 2009

	Notes	2009 \$	2008 \$
Revenue	2	133,174	10,991
Salaries & employee benefits expense		(320,106)	(27,002)
Depreciation and amortisation expense	3	(54,867)	(5,377)
Other expenses		(198,105)	(93,974)
Profit/(Loss) before income tax expenses	3	(439,904)	(115,362)
Income tax expense	4	-	-
Profit/(Loss) after income tax expense		(439,904)	(115,362)
Total changes in equity other than those resulting from transactions with owners as owners		(439,904)	(115,362)

This Income Statement should be read in conjunction with the accompanying notes

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

**BALANCE SHEET
AS AT 30 JUNE 2009**

	Notes	2009 \$	2008 \$
Current Assets			
Cash assets	6	137	216,407
Receivables	7	19,982	103,651
Total Current Assets		<u>20,119</u>	<u>320,058</u>
Non-Current Assets			
Property, plant & equipment	8	279,051	303,555
Intangible assets	9	86,167	108,167
Total Non-Current Assets		<u>365,218</u>	<u>411,722</u>
Total Assets		<u>385,337</u>	<u>731,780</u>
Current Liabilities			
Payables	10	24,045	21,683
Interest bearing liabilities	11	56,637	-
Provisions	12	15,521	1,559
Total Current Liabilities		<u>96,203</u>	<u>23,242</u>
Non Current Liabilities			
Interest bearing liabilities	11	-	-
Provisions	12	-	-
Total Non Current Liabilities		<u>-</u>	<u>-</u>
Total Liabilities		<u>96,203</u>	<u>23,242</u>
Net Assets (Liabilities)		<u>289,134</u>	<u>708,538</u>
Equity			
Contributed equity	13	844,400	823,900
Retained profits/(Accumulated Losses)	14	(555,266)	(115,362)
Total Equity		<u>289,134</u>	<u>708,538</u>

This Balance Sheet should be read in conjunction with the accompanying notes

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2009

	Issued Capital \$	Accumulated losses \$	Total \$
Opening balance	-	-	-
Shares Issued	823,900	-	823,900
Loss attributable to the members of the Company	-	(115,362)	(115,362)
Balance at 30 June 2008	<u>823,900</u>	<u>(115,362)</u>	<u>708,538</u>
Balance at 1 July 2008	823,900	(115,362)	708,538
Shares issued	20,500	-	20,500
Loss attributable to the members of the Company	-	(439,904)	(439,904)
Balance at 31 December 2008	<u>844,400</u>	<u>(555,266)</u>	<u>289,134</u>

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2009**

	Notes	2009	2008
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		213,704	1,195
Payments to suppliers and employees		(505,969)	(201,363)
Interest Paid		(101)	(22)
Interest received		7,322	9,795
Net cash used/(used in) in operating activities	15b	285,044	(190,395)
Cash Flows from Investing Activities			
Payment for intangible assets		-	(110,000)
Payments for Property, Plant & Equipment		(8,363)	(307,099)
Net cash flows from/(used in) investing activities		(8,363)	(417,099)
Cash Flows from Financing Activities			
Proceeds from issue of shares		20,500	823,900
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Finance lease payments		-	-
Dividends paid		-	-
Net cash flows from/(used in) financing activities		20,500	823,900
Net increase/(decrease) in cash held		(272,907)	216,408
Cash at the beginning of the financial period		216,407	-
Cash at the end of the financial period	15a	(56,500)	216,408

This Statement of Cash Flows should be read in conjunction with the accompanying notes

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies have been determined by the Board.

Going Concern

Notwithstanding the fact that the company has been incurring losses, the directors believe that it will continue to be able to pay its debts as and when they fall due and payable.

The financial report has been prepared on a going concern basis after consideration by the Directors of the following matters:

- (i) The Company is budgeting to return a profit within the next 2 to 5 years; and
- (ii) Bendigo and Adelaide Bank Ltd has confirmed that it will support the Company such that it will be in a position to meet its financial obligations for the next calendar year. The provision of additional funding is dependent upon the Company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo and Adelaide Bank Ltd management to further develop the business.

In consideration of the above matter, the Directors believe that it is appropriate to adopt the going concern basis of accounting in the preparation of this financial report.

Income Tax

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to accounts unless there is virtual certainty of realisation of the benefit. For the period ended 30 June 2009 future income tax benefit has not been brought to account.

The amount of benefits brought to account or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

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 ATO is included as a current asset or liability 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.

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES CONT

Employee Benefits

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

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

Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent directors' valuation, less, where applicable, any accumulated depreciation or amortisation. Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated over their useful life to the entity commencing from the date of acquisition/valuation. All property, plant and equipment are depreciated using the prime cost method.

<u>Class of Asset</u>	<u>Depreciation Rate</u>
Leasehold Improvements	5% - 10%
Computers	20%
Plant & Equipment	5% - 20%

Intangibles

Expenditure on start-up activities (i.e. Start-up costs of \$64,673), consisting of items such as legal and secretarial costs incurred in establishing the legal entity, expenditure to open the new bank business (i.e. Pre-opening costs) and expenditures for training and starting the new operation (i.e. Pre-operating costs) have been wholly charged as expense.

Cash

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

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

Comparative Figures

Comparative figures are shown for the period 12th June 2008 to 30th June 2008.

Revenue

Interest, service fee and commission 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 in the future for goods and services received, whether or not billed to the company.

Impairment of Assets

At each reporting date, the directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES CONT

Critical Accounting Estimates

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 organisation. No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

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 association 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 profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The association has not held any financial assets at fair value through profit or loss in the current or comparative financial year.

(ii) *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.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the association's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

The association has not held any held-to-maturity investments in the current or comparative financial year.

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES CONT

Financial instruments Cont

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost

Impairment

At each reporting date, the association assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES CONT

Accounting Standards and Interpretations issued but not yet Effective

The AASB has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods and which the association has decided not to early adopt. A discussion of those future requirements and their impact on the association is as follows:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 123	<i>Borrowing Costs</i>	Revised standard – requires borrowing costs directly attributable to qualifying assets to be capitalised, where previously they could be immediately expensed.	1 January 2009	Not expected to have a material impact on the entity's financial statements
AASB 2008-6	<i>Amendments to Australian Accounting Standards arising from AASB 123</i>	Amends AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12 as a result of issue of AASB 123	1 January 2009	Not expected to have a material impact on the entity's financial statements
AASB 2008-8	<i>Amendments to Australian Accounting Standards arising from AASB 101</i>	Amends the majority of standards and Interpretations as a result of issue of AASB 101	1 January 2009	Disclosures only
AASB 3	<i>Business Combinations</i>	Revised Standard	1 July 2009	Not expected to have a material impact on the entity's financial statements
AASB 127	<i>Consolidated and Separate Financial Statements</i>	Revised Standard	1 July 2009	Not expected to have a material impact on the entity's financial statements
AASB 2009-3	<i>Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127</i>	Amends a number of standards and Interpretations as a result of the issue of AASB 3 and AASB 127,	1 July 2009	Not expected to have a material impact on the entity's financial statements
Interpretation 13	<i>Customer Loyalty Programmes</i>	Guidance on accounting for customer loyalty award credits granted to customers as part of a sales transaction	1 July 2009	Not expected to have a material impact on the entity's financial statements

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
NOTE 2: REVENUE		
Operating Activities		
- <i>services & commissions</i>	125,852	-
- <i>other revenue</i>	-	1,196
Non Operating Activities		
- <i>interest received</i>	7,322	9,795
- <i>rental revenue</i>	-	-
	<u>133,174</u>	<u>10,991</u>
NOTE 3: EXPENSES		
Borrowing Expenses		
- <i>interest paid</i>	101	22
Depreciation of non-current assets		
- <i>plant & equipment</i>	32,867	3,544
Amortisation of non-current assets		
- <i>intangibles</i>	22,000	1,833
NOTE 4: INCOME TAX EXPENSE		
Prima facie tax on profit/(loss) from ordinary activities at 30%	(131,971)	(34,608)
Add tax effect of		
- <i>Non-deductible expenses</i>	-	16,982
- <i>Future income tax benefit not brought to account</i>	131,971	17,626
	<u>-</u>	<u>-</u>
Income tax expense on operating profit/(loss)	<u>-</u>	<u>-</u>
Tax Liabilities		
Current tax payable	<u>-</u>	<u>-</u>
Income Tax Losses		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is	<u>-</u>	<u>-</u>

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
NOTE 5: AUDITORS' REMUNERATION		
Amounts received or due and receivable by RSM Bird Cameron Partners for:-		
- Audit or review of the financial report of the company	10,700	3,000
- Other services in relation to the company	-	-
	<u>10,700</u>	<u>3,000</u>
NOTE 6: CASH ASSETS		
Cash at bank and on hand	<u>137</u>	<u>216,407</u>
NOTE 7: RECEIVABLES		
Prepayments	7,313	15,765
GST Receivable	452	35,284
Trade and other receivables	<u>12,217</u>	<u>52,602</u>
	<u>19,982</u>	<u>103,651</u>
NOTE 8: PROPERTY, PLANT & EQUIPMENT		
Land - <i>Freehold land at cost</i>	-	-
Buildings - <i>At cost</i>	-	-
Less Depreciation	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Plant & Equipment - <i>At cost</i>	315,476	307,099
Less accumulated depreciation	<u>(36,425)</u>	<u>(3,544)</u>
	<u>279,051</u>	<u>303,555</u>
Total written down amount	<u>279,051</u>	<u>303,555</u>
Movements in carrying amounts		
Building		
<i>Carrying amount at beginning of year</i>	-	-
<i>Additions</i>	-	-
<i>Disposals</i>	-	-
<i>Depreciation expense</i>	-	-
<i>Carrying amount at end of year</i>	-	-
Plant and Equipment		
<i>Carrying amount at beginning of year</i>	303,555	-
<i>Additions</i>	8,363	307,099
<i>Disposals</i>	-	-
<i>Depreciation expense</i>	<u>(32,867)</u>	<u>(3,544)</u>
<i>Carrying amount at end of year</i>	<u>279,051</u>	<u>303,555</u>

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
NOTE 9: INTANGIBLE ASSETS		
Franchise Fee		
At cost	110,000	110,000
Less accumulated amortisation	(23,833)	(1,833)
	<u>86,167</u>	<u>108,167</u>
Preliminary expenses		
At cost	-	64,673
Less Expensed in total	-	(64,673)
	<u>86,167</u>	<u>108,167</u>
NOTE 10: PAYABLES		
Trade Creditors	9,811	18,055
Other creditors and accruals	14,234	3,628
	<u>24,045</u>	<u>21,683</u>
NOTE 11: INTEREST BEARING LIABILITIES		
Bank overdraft	56,637	-
Bank Loan – Secured	-	-
	<u>-</u>	<u>-</u>
NOTE 12: PROVISIONS		
Employee benefits - current	15,521	1,559
	<u>15,521</u>	<u>1,559</u>
Number of employees at period end	7	5
NOTE 13: CONTRIBUTED EQUITY		
844,400 ordinary Shares fully paid of \$1 each	844,400	823,900
	<u>844,400</u>	<u>823,900</u>
NOTE 14: RETAINED PROFITS/(ACCUMULATED LOSSES)		
Balance at the beginning of the financial period	(115,362)	-
Net profit/(loss) from ordinary activities after income tax	(439,904)	(115,362)
Dividends	-	-
Balance at the end of the financial period	<u>(555,266)</u>	<u>(115,362)</u>

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
NOTE 15: STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash assets	137	216,407
Bank overdraft	(56,637)	-
	<u>(56,500)</u>	<u>216,407</u>
(b) reconciliation of profit from ordinary activities after tax to net cash provided from/(used in) operating activities		
Profit from ordinary activities after income tax	(439,904)	(115,362)
Net cash items		
- Depreciation	32,867	3,544
- Amortisation	22,000	1,833
Changes in assets and liabilities		
- (Increase)decrease in receivables	83,668	(103,652)
- Increase (decrease) in payables	2,362	21,683
- Increase (decrease) in employee benefits	13,963	1,559
Net cash flows from/(used in) operating activities	<u>(285,044)</u>	<u>(190,395)</u>

NOTE 16: RELATED PARTY DISCLOSURES – KEY MANAGEMENT PERSONNEL

Directors

No compensation is paid or payable to key management personnel from the company or any related party in connection with the management of the company.

The names of the persons who have held office during the financial year are as follows:
 Gilbert C Beek; John T Tobin; Barry G Russell; Phillip A Balding; Ian H Zandstra; Kevin Bourke; Cameron L Boxsell; Robert Bruderlin; Michael James; John Anderson

No 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.

NOTE 17: SUBSEQUENT EVENTS

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

NOTE 18: CONTINGENT LIABILITIES

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

NOTE 19: SEGMENT REPORTING

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being City of Shoalhaven, NSW.

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20: REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

The registered office is located at 72 Osborne Street, Nowra 2541
The principal place of business is located at 98 Kinghorn Street, Nowra 2541

NOTE 21. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The entity does not have any derivative instruments at 30 June 2009.

i. Treasury Risk Management

The Directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii Financial Risk Exposures and Management

The main risks the entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Foreign currency risk

The entity is not exposed to fluctuations in foreign currencies.

Liquidity risk

The entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity.

There are no material amounts of collateral held as security at 30 June 2009.

Credit risk is managed by the entity and reviewed regularly by the Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The entity monitors the credit risk by actively assessing the rating quality and liquidity of counterparties:

— The credit standing of counterparties is reviewed regularly for liquidity and credit risk.

The trade receivables balances at 30 June 2009 and 30 June 2008 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Price risk

The entity is not exposed to any material commodity price risk.

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

21. FINANCIAL INSTRUMENTS CONT

(b) Financial Instruments Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Floating Interest Rate		Non-interest Bearing		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash at bank	137	216,407	-	-	137	216,407
Trade and other receivables	-	-	19,982	103,651	19,982	103,651
Total Financial Assets	137	216,407	19,982	103,651	20,119	320,058
Financial liabilities						
Overdraft Facility	56,637	-	-	-	56,637	-
Trade and sundry payables	-	-	24,045	21,683	24,045	21,683
Total Financial Liabilities	56,637	-	24,045	21,683	80,682	21,683

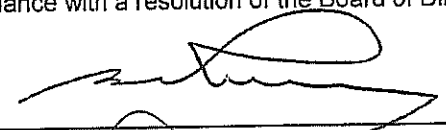
SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

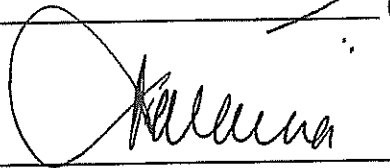
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2009

In accordance with a resolution of the directors of Shoalhaven Community Financial Services Limited, we state that:-

- (a) The financial statements and notes of the company are in accordance with the Corporations Act 2001, including:-
 - (i) Giving a true and fair view of the company's financial position as at 30 June 2009 and of their performance for the period 1st July, 2008 to 30th June 2009; and
 - (ii) Complying with Accounting Standards in Australia and Corporations Regulations 2001.
- (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.

Signed in accordance with a resolution of the Board of Directors:

Director  (Barry G Russell)

Director  (Phillip A Balding)

Dated this 9th day of October 2009

RSM Bird Cameron Partners

Chartered Accountants

Level 1, 103-106 Northbourne Avenue Canberra ACT 2601
GPO Box 200 Canberra ACT 2601
T +61 2 6247 5988 F +61 2 6247 3703
www.rsmi.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

We have audited the accompanying financial report of Shoalhaven Community Financial Services Limited ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing 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 entity's preparation and fair presentation 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 entity'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.

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an
independent member firm of RSM
International, an affiliation of independent
accounting and consulting firms.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

The financial report of Shoalhaven 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 2009 and of its performance for the year ended on that date; and
- ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

RSM Bird Cameron Partners

RSM Bird Cameron Partners
Chartered Accountants

G Stenhouse

G M STENHOUSE
Partner

Canberra, Australian Capital Territory
Dated: 9 October 2009

RSM Bird Cameron Partners

Chartered Accountants

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SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 77 128 253 065

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 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.

Rsm Bird Cameron Partners

RSM Bird Cameron Partners
Chartered Accountants

G M Stenhouse

Canberra, Australian Capital Territory
Dated: 9 October 2009

G M STENHOUSE
Partner

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