

<u>Table of Contents</u>	<u>Page</u>
Directors and Staff	2
Our Vision	3
Chairman’s Report	4
Company Secretary’s Report	6
Branch Manager’s Report	7
Financial Report 2010	9
• Directors’ Report	10
• Income Statement	12
• Balance Sheet	13
• Statement of Cash Flows	15
• Notes to Financial Statement	16
Directors’ Declaration	27
Auditor’s Report	

At Nowra and District **Community Bank**[®] we are running a great bank so we can do great things for the community.

Directors

Barry Russell FIEAust CPEng

Chairman

Phil Balding CPA

Company Secretary

Bruce Morton FCA

Treasurer

Mike James

John Anderson OAM

Robert Bruderlin

Brian Muller

Ian Thompson

Lynn Locke

Fay Lamont

Branch Location

98 Kinghorne Street, Nowra, NSW 2541

Tel: (02) 4422 7574

Registered Office

72 Osborne Street, Nowra, NSW, 2541

Branch Staff

Barry McCaffrey

Branch Manager

Peter Done

Lending Manager

Adele Milton

Customer Relations Officer

Debbie Parker

Customer Service Officer

Linda Mitchell

Customer Service Officer

Robin Callison

Customer Service Officer

Lynette Quinn

Customer Service Officer (Casual)

NOWRA & DISTRICTS **COMMUNITY BANK**[®] BRANCH

OUR VISION

We aim to be Shoalhaven's leading Customer and Community connected Bank

OUR MISSION

Nowra and District **Community Bank**[®] to build a richer community by sharing its profits.

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

To establish Nowra Branch as a profitable enterprise and progressively grow our facilities in outlying villages.

OUR VALUES

**TEAMWORK
ACCOUNTABILITY
PERFORMANCE**

**INTEGRITY
COMMITMENT
COMMUNITY ENGAGEMENT.**

OUR STRATEGIES

Progressively grow the business into Berry, Bomaderry, Culburra, Callala Bay/Beach and Kangaroo Valley.

Increase the number of shareholders who use our banking services.

Build business opportunities based on 'not for profit' sector.

Establish and build partnerships and relationships with our customers based on our points of difference.

Strengthen communications between our bank and the local community.

Develop banking opportunities with the business sector in Shoalhaven.

Involve younger community members in the operation of our company.

NOT JUST ANOTHER BANK

Chairman's Report

It gives me much pleasure to report to you on behalf of the Board of Shoalhaven Community Financial Services Ltd for the 2009/10 financial year.

The 2009 Annual General Meeting saw three new directors appointed (Lynn Locke, Brian Muller and Ian Thomson). Rob Bruderlin was re-elected to the Board in accordance with the company articles. Unfortunately in November 2009, Founding Chairman Gilbert Beek submitted his resignation as both Chair and Director on the grounds of ill health. We wish Gilbert and Tina well for the future. The Board elected Fay Lamont as a director to fill the casual vacancy. Bruce Morton was subsequently appointed as both Director and Company Treasurer later in the financial year.

In 2009/10, the Company fell short of the ambitious growth targets set for the year. This had the effect of reducing our income stream and we saw a loss of \$270,000. This result is a significantly better result than reported in 2008/9 where a \$440,000 loss was reported. In the 2010/11 year the company anticipates running into profitable trading in the second half of the year.

Highlights of year include the following:

a. A major staff restructure was commenced in Feb 2010 which included the appointment of Barry McCaffery as our Branch Manager. I am pleased to report that the changes made have produced significant positive results with increases in staff moral and branch efficiency and a reduction in expenditure.

b. A Strategic Planning day was held in Feb 2010 which was attended by all directors and facilitated by Mr Jim Christie from Bendigo Bank. Outcomes were revised, Vision and Mission Statements and a series of Business Strategies were adopted. These are included in page 3 of this Annual Report.

c. The establishment of close working partnerships with a number of Community Sector organizations in our district. Our branch has close to \$2m in banking business with this sector. This provides us access to thousands of individuals within those organisations

d. Growth in our 'book' from \$27m in July 09 to \$38.5 m in June 2010. This excellent growth has provided a platform for the first 6 months of 2010/11 and the Board expects to achieve a book of \$50m by year end.

e. Establishment of working parties to investigate and report on an expanded network of ATM's and potential agency agreements within our district.

f. The development of "spotter's fee" agreements with community sector organisations.

The other great success for the year has been the very positive feedback that our customer-focused, friendly and professional staff have received from our clients. The approach has led to additional business as our reputation has grown within the community. Clearly the Bendigo and Adelaide bank success in achieving excellent results in customer satisfaction surveys is being enhanced in Nowra.

The company has also continued to invest in our community in keeping with the Bendigo Bank Community Charter. Included in our investments were major sponsorship of the Shoalhaven Crime Prevention Van, the Bendigo Bank Aerial Patrol and the Bernie Regan Memorial Sporting Trust. The Board also participated in the Lions "Kids Day Out" day in Nowra and held a draw for children's Bank Account. Community groups were also encouraged to use our branch for display purposes. Marine Rescue Shoalhaven, the SES Shoalhaven and the Vietnam Veterans Association were some who participated and achieved positive feedback.

It is appropriate for me to draw your attention to the very significant contributions that two people have made to our company over recent years.

Firstly, our Branch Manager Barry McCaffery has worked tirelessly to develop our business and to create the positive environment that any successful business needs to create and sustain. I believe the success of our company over the last 12 months is strongly linked to the dedication of Barry and his team

Secondly, I pay tribute to Mr Phil Balding. Phil has been on our journey since its inception approximately 5 years ago. Phil was a driving force in the steering party that was the foundation stone of our company. Once established Phil took on the role of Company Secretary and served the shareholders for the past 2.5 years in this position. In addition, over the last 18 months Phil took on the role of Acting Treasurer. During that time, Phil has given heavily both his personal and company time in completing his duties as a volunteer director. Phil has always demonstrated a passion for the Bendigo Bank community model and has been a leader in setting up and running Shoalhaven Community Financial Services. Phil has advised that he will be retiring at the Annual General Meeting. However, Phil has committed to remain a strong advocate for our company and has offered to provide on-going advice into the future. His retirement as both Director and Company Secretary will leave a void in our company that will be hard to fill.

Many thanks to both Barry and Phil for their outstanding contributions (and to their families)

The Board is very confident that we will sustain our growth and achieve our corporate objectives for 2010/11 and beyond. Our ongoing policy in investing in our community will be further expanded as our financial situation improves. The ongoing support of both shareholders and customers will see us create both a sustainable and growing financial investment stream for our Shoalhaven Community.

Our results and projections for the future will further demonstrate that we are

"NOT JUST ANOTHER BANK"

Barry Russell
Chair

Company Secretary's Report

Shoalhaven Community Financial Services Ltd performance for the 2010 financial year highlighted the bank's performance and resilience in very challenging conditions. The 2010 year was a year of uncertain and fluctuating economic conditions on stock and financial markets.

Competition was very aggressive amongst all financial institutions in the Shoalhaven during the 2010 financial year yet the bank was able to continue to grow its book from \$ 28.1m to \$40.2m in the financial year and at the time of writing this report had further increased the book to \$12.5m.

There is no doubt that the introduction by the Australian Government of the deposit guarantee was one of the primary reasons for the stability of the Australian banking sector during the Global Financial Crisis.

The Federal Guarantee is set to expire on 12 October 2011 and it is hoped that investors will continue to invest their funds in Bendigo Bank products.

Whilst we thought initially that this initiative unfairly favoured the big four banks, over Nowra & District **Community Bank**[®] and other regional banks it was an important confidence boosting measure that promoted competition.

Nowra & District **Community Bank**[®] was able to increase its deposit base from \$24.3m to \$30.56m during the year and at the time of writing the branch held \$33.98m in deposits.

Since inception, one of the company's objectives in keeping with its community ethos was to assist and help "not for profit" organisations in their banking and business requirements. To this end the policy has been extremely successful with over \$1.7m being held as at the end of the financial year and at the time of writing this report the branch held in excess of \$2.1m.

Due to the increased volume of business during the year the branch restructured the staffing arrangement to ensure the branch operated in a more effective and efficient manner and to ensure that the company's ethos of providing a good quality service to its customer was not lost.

Barry McCaffery was appointed Branch Manager and Peter Done was appointed Lending & Loans Manager.

To our management team of Barry McCaffery, Peter Done and Adele Milton together with our branch staff, I extend my appreciation for their strong support and commitment in achieving the results that we have achieved so far.

I believe that Nowra & District **Community Bank**[®] branch is well placed to capitalise on the local economy's growth particularly in the housing market, and every effort should be made to capitalise on the bank's position, status and products it offers consumers.

I extend my appreciation in addition to our staff, to the support given by our customers and shareholders. Without this support there would be no community bank.

I will not be standing for re-election this year as I feel that it is time, after 5 years, to allow someone else to take charge of the reins.

There are a number of challenges for the new board and branch growth is paramount and it is most important that the branch continue to perform at the highest levels in both customer service and shareholder expectations. To this end, the Board, shareholders and staff need to promote the branch whenever and wherever possible.

Profitability should be achieved in the New Year and this will assist in reducing both the company's overdraft and accumulated losses.

Phillip Balding, CPA

Corporate Secretary

Branch Manager's Report

I have the pleasure of reporting to you the branch performance for the 2010 financial year.

Continuing on from our growth in 2008-09, Nowra & District **Community Bank**[®]

Branch has again achieved excellent growth with business increasing by \$12.5m to \$40.2m for 2010.

Included in the above business is "Not for Profit" accounts which are valued at \$1.7m.

Deposits

During the year our deposits increased from \$28,860m to \$30,560m. Despite intensive competition from local Building Societies, Credit Unions and banks we have been able to further increase our term deposits by \$3.6m.

Overall our deposit growth has been satisfactory given the issues associated with the Global Financial Crisis and the strong competition that the bank has encountered.

Loans

This area of our business has been disappointing and has fallen well below budget estimates. Again strong competition amongst other financial institutions has reflected in the results. Our growth in loans increased by \$5.8m during the year.

The bank is very optimistic that there will be significant growth in our loan business during 2010/11 and I am pleased to advise that we are currently on track to achieve our loan targets with excellent growth in July and August 2010.

Customer Service

The branch has 1356 accounts – an increase of 377 on the previous year.

Our goal is to provide excellent customer service and to the end the Bendigo & Adelaide Bank Ltd has recently introduced systems that will enable the branch to promote a wider range of products and services to our customers.

Staffing

During the year we welcomed Robin Colleron to the branch as a Customer Service Officer. Robin came to us from the IMB Building Society.

Maree Ducret left the branch to set up and manage Sussex Inlet sub branch and Adele Milton was promoted to Customer Service Officer. Our staff have again performed an outstanding job throughout the year. We have continued our training programs and are encouraging staff to excel to the next level. The branch has achieved excellent growth in our range of products especially the insurance sector. The staff have been successful in winning a number of area based competitions as well as a State competition. Our staff continue to offer excellent customer service in a busy and competitive environment and listen carefully to the customer's wants and needs thereby ensuring we exceed our customers expectations.

Branch Visits

As part of our franchise agreement with the Bendigo & Adelaide Bank Ltd a number of audits were carried out during the year by Bendigo Bank staff. All results provide satisfactory with the branch achieving high marks in all areas of audit.

Branch Displays

During the year the branch held a number of displays supporting local organisations –

- Shoalhaven Marine Rescue
- State Emergency Services
- Rural Bush Fire Services

were some of the organisations displayed.

In summary highlights of the year were –

- Growth in both deposits and loans
- Staff winning locally based competitions amongst other Bendigo & Adelaide Community banks.
- Continued high level of satisfaction amongst our customers
- Continued high quality customer services.

Barry (Mac) McCaffery

Branch Manager

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 77 128 253 065

Trading as

**Nowra & District Community Bank[®] Branch of the Bendigo and
Adelaide Bank Ltd**

FINANCIAL STATEMENTS

AS AT 30 JUNE 2010

NOWRA & DISTRICT COMMUNITY BANK® BRANCH OF BENDIGO BANK LIMITED

Your Directors submit the financial report of the company for the financial year 1st July 2009 to 30th June 2010.

Directors

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

Barry G Russell Chairman Non Executive Director Age: 65 Retired Civil Engineer	Phillip A Balding Company Secretary, Treasurer Non Executive Director Age: 61 Certified Practising Accountant	John Anderson Non Executive Director Age: 66 Retired
Michael James Non Executive Director Age: 55 Company Director	Gilbert Beek Non Executive Director Age: 81 Retired Company Director	Robert Bruderlin Non Executive Director Age: 54 Proprietor Retail Stores
Kevin Bourke Non Executive Director Age: 64 Insurance Consultant	Cameron L Boxsell Non Executive Director Age: 49 Proprietor Pool & Spa	Brian Muller Non Executive Director Age: 51 Real Estate Proprietor
Keith I Tompson Non Executive Director Age: 73 Retired	Lynn Locke Non Executive Director Age: 60 Club Administrator	Fay Lamont Non Executive Director Age: 65 Company Director
Bruce M Morton Non Executive Director Age: 68 Retired Public Accountant		

During the financial year Mr Gilbert Beek, Mr. Kevin Bourke & Mr. Cameron Boxsell retired from the Board. Mr Brian Muller, Mr. Ian Tompson and Mrs Lynn Locke were elected to the Board by shareholders at the company's Annual General Meeting in November 2009.

Mr. Robert Bruderlin, a founding director, was re-elected to the Board for a further three year term.

Mrs. Fay Lamont was invited to join the Board in December, 2009.

Mr. Bruce Morton was invited to join the Board in June, 2010.

Mr. Barry Russell was elected Chairman following Mr Gilbert Beek's retirement

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 year after provision for income tax was \$277,614 (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.

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	10	1	3	8	3	8	10
Gilbert Beek	1	-	-	-	-	-	-
Phillip Balding	10	1	1	-	3	8	10
Barry Russell	10	1	2	3	3	8	10
Robert Bruderlin	6	-	-	2	3	8	8
Michael James	8	-	-	8	-	-	-
Cameron Boxsell	3	-	-	2	-	-	-
John Anderson	7	-	2	3	-	-	-
Kevin Bourke	2	-	-	1	-	-	-
Brian Muller	6	-	-	6	-	-	-
Ian Tompson	5	-	2	4	-	-	-
Lynn Locke	5	-	-	3	-	-	3
Fay Lamont	3	-	-	1	-	-	-
Bruce Morton	1	-	-	-	-	-	-

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.

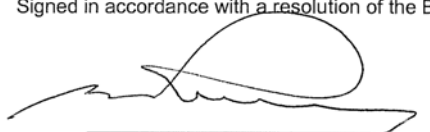
Auditor's Independence Declaration

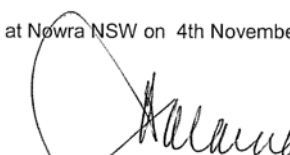
A copy of the auditor's independence declaration is included as part of these financial statements for the financial year ended 30 June 2010.

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 4th November, 2010.


Barry G Russell, Chairman


Phillip A Balding, Secretary

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1ST JULY 2009 TO 30TH JUNE 2010

	Notes	2010 \$	2009 \$
Revenue	2	265,319	133,174
Salaries & employee benefits expense		(299,326)	(320,106)
Depreciation and amortisation expense	3	(55,043)	(54,867)
Other expenses		(190,917)	(198,105)
Profit/(Loss) before income tax expenses	3	(279,967)	(439,904)
Income tax expense	4	-	-
Profit/(Loss) after income tax expense		(279,967)	(439,904)
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO MEMBERS		(279,967)	(439,904)

This Statement should be read in conjunction with the accompanying notes

NOWRA & DISTRICT COMMUNITY BANK® BRANCH OF BENDIGO BANK LIMITED

BALANCE SHEET
AS AT 30 JUNE 2010

	Notes	2010 \$	2009 \$
Current Assets			
Cash assets	6	29	137
Receivables and prepayments	7	32,806	19,982
Total Current Assets		32,835	20,119
Non-Current Assets			
Property, plant & equipment	8	246,008	279,051
Intangible assets	9	64,167	86,167
Total Non-Current Assets		310,175	365,218
Total Assets		343,010	385,337
Current Liabilities			
Trade and other Payables	10	15,820	24,045
Interest bearing liabilities	11	303,608	56,637
Provisions	12	14,415	15,521
Total Current Liabilities		333,843	96,203
Non Current Liabilities			
Interest bearing liabilities	11	-	-
Provisions	12	-	-
Total Non Current Liabilities		-	-
Total Liabilities		333,843	96,203
Net Assets (Liabilities)		9,167	289,134
Equity			
Contributed equity	13	844,400	844,400
Retained profits/(Accumulated Losses)	14	(835,233)	(555,266)
Total Equity		9,167	289,134

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital	Accumulated losses	Total
	\$	\$	\$
Opening balance	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 30 June 2009	844,400	(555,266)	289,134
Balance at 1 July 2009	844,400	(555,266)	289,134
Shares issued	-	-	-
Loss attributable to the members of the Company	-	(279,967)	(279,967)
Balance at 30 June 2010	844,400	(835,233)	9,167

This statement should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Cash Flows from Operating Activities			
Receipts from operations		283,107	213,704
Payments to suppliers and employees		(522,117)	(505,969)
Finance costs		(8,069)	(101)
Interest received		-	7,322
Net cash used/(used in) in operating activities	15b	(247,079)	285,044
Cash Flows from Investing Activities			
Payments for Property, Plant & Equipment		-	(8,363)
Net cash flows from/(used in) investing activities		-	(8,363)
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	20,500
Net cash flows from/(used in) financing activities		-	20,500
Net increase/(decrease) in cash held		(247,079)	(272,907)
Cash at the beginning of the financial period		(56,500)	216,407
Cash at the end of the financial period	15a	(303,579)	(56,500)

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board.

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

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The company has been incurring losses since its incorporation. The directors believe that it is reasonable foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- (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 through the current provision of an overdraft facility on commercial terms and conditions. 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.

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 2010 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

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/revaluation. 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.

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 2010**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES CONT**New standards and interpretations issued but not yet effective**

The following Australian Accounting Standards issued or amended which are applicable to the entity but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2009-5	<i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136, 139]</i>	Amends a number of standards as a result of the annual improvements project.	1 January 2010	Minimal
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	Minimal
Interpretation 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>	This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.	1 July 2010	Minimal
AASB 124	<i>Related Party Disclosures</i>	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011	Disclosure only
2009-11	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2013	Minimal
2009-12	<i>Amendments to Australian Accounting Standards</i>	Amends AASB 8 Operating Segments as a result of the revised AASB 124. Amends AASB 5, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052 as a result of the annual improvement project.	1 January 2011	Minimal
2010-1	<i>Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures from First-time Adopters</i>	Amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> ; and AASB 7 <i>Financial Instruments: Disclosures</i> . Principally give effect to extending transitional provisions of AASB 2009-2.	1 July 2010	Minimal

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
	\$	\$
NOTE 2: REVENUE		
Operating Activities		
- <i>services & commissions</i>	265,319	125,852
- <i>other revenue</i>	-	-
Non Operating Activities		
- <i>interest received</i>	-	7,322
- <i>rental revenue</i>	-	-
	<u>265,319</u>	<u>133,174</u>
NOTE 3: EXPENSES		
Borrowing Expenses		
- <i>interest paid</i>	5,966	101
Depreciation of non-current assets		
- <i>plant & equipment</i>	33,043	32,867
Amortisation of non-current assets		
- <i>intangibles</i>	22,000	22,000
NOTE 4: INCOME TAX EXPENSE		
Prima facie tax on profit/(loss) from ordinary activities at 30%	(83,990)	(131,971)
Add tax effect of		
- <i>Non-deductible expenses</i>	-	-
- <i>Future income tax benefit not brought to account</i>	83,990	131,971
	<u>-</u>	<u>-</u>
Income tax expense on operating profit/(loss)	-	-
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.	-	-
	<u>-</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
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	10,000	10,700
- Other services in relation to the company	-	-
	<u>10,000</u>	<u>10,700</u>
NOTE 6: CASH ASSETS		
Cash at bank and on hand	<u>29</u>	<u>137</u>
NOTE 7: RECEIVABLES & PREPAYMENTS		
Prepayments	11,444	7,313
GST Receivable	-	452
Trade and other receivables	21,362	12,217
	<u>32,806</u>	<u>19,982</u>
NOTE 8: PROPERTY, PLANT & EQUIPMENT		
Plant & Equipment – At cost	315,476	315,476
Less accumulated depreciation	(69,468)	(36,425)
	<u>246,008</u>	<u>279,051</u>
Total written down amount	<u>246,008</u>	<u>279,051</u>
Plant and Equipment		
<i>Carrying amount at beginning of year</i>	279,051	303,555
<i>Additions</i>	-	8,363
<i>Disposals</i>	-	-
<i>Depreciation expense</i>	33,043	(32,867)
<i>Carrying amount at end of year</i>	<u>246,008</u>	<u>279,051</u>
NOTE 9: INTANGIBLE ASSETS		
Franchise Fee		
<i>At cost</i>	110,000	110,000
<i>Less accumulated amortisation</i>	(44,833)	(23,833)
	<u>64,167</u>	<u>86,167</u>
NOTE 10: PAYABLES		
Trade Creditors	538	9,811
Other creditors and accruals	15,282	14,234
	<u>15,820</u>	<u>24,045</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
NOTE 11: INTEREST BEARING LIABILITIES		
Bank overdraft	303,608	56,637
The Company has in place approved overdraft facilities of \$450,000. It is anticipated that the overdraft will peak in May, 2011 and will be fully repaid by July, 2014.		
NOTE 12: PROVISIONS		
Employee benefits - current	<u>14,415</u>	<u>15,521</u>
Number of employees at period end	6	7
NOTE 13: CONTRIBUTED EQUITY		
844,400 ordinary Shares fully paid of \$1 each	<u>844,400</u>	<u>844,400</u>
NOTE 14: RETAINED PROFITS/(ACCUMULATED LOSSES)		
Balance at the beginning of the financial period	(555,266)	(115,362)
Net profit/(loss) from ordinary activities after income tax	(277,613)	(439,904)
Dividends	-	-
Balance at the end of the financial period	<u>(832,879)</u>	<u>(555,266)</u>
NOTE 15: STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash assets	29	137
Bank overdraft	<u>(303,608)</u>	<u>(56,637)</u>
	<u>(303,579)</u>	<u>(56,500)</u>
(b) reconciliation of profit from ordinary activities after tax to net cash provided from/(used in) operating activities		
Loss after income tax	(279,967)	(439,904)
Net cash items		
- Depreciation	33,043	32,867
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase)decrease in receivables and prepayments	(12,824)	83,668
- Increase (decrease) in payables	(8,225)	2,362
- Increase (decrease) in employee benefits	<u>(1,106)</u>	<u>13,962</u>
Net cash flows from/(used in) operating activities	<u>(247,079)</u>	<u>(285,045)</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

**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; Barry G Russell; Phillip A Balding; Kevin Bourke; Cameron L Boxsell;
Robert Bruderlin; Michael James; John Anderson; Ian Thomson; Brian Muller; Fay Lamont;
Lynn Locke; Bruce Morton;

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 2010.

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 2010.

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 2010 and 30 June 2009 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

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.

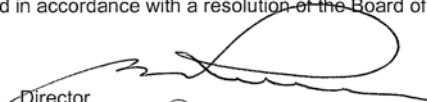
	Floating Interest Rate		Non-interest Bearing		Total	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash at bank	29	137	-	-	29	137
Trade and other receivables	-	-	32,806	19,982	32,806	19,982
Total Financial Assets	29	137	32,806	19,982	32,835	20,119
Financial liabilities						
Overdraft Facility	303,608	56,637	-	-	303,608	56,637
Trade and sundry payables	-	-	15,820	24,045	15,811	24,045
Total Financial Liabilities	303,608	56,637	15,820	24,045	319,428	80,682

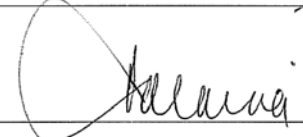
**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2010**

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 2010 and of their performance for the period 1st July, 2009 to 30th June 2010; 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 4th day of November 2010