

Shoalhaven Community Financial Services Ltd



4th Annual Report



Bendigo Bank

Nowra & District Community Bank® Branch

Annual report 2011

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CHAIRMAN'S REPORT to AGM 2011.

I am very pleased to present the fourth Annual Report for Shoalhaven Community Financial Services Ltd.

The last 12 months has been a busy period for both staff and directors. In the latter half of 2010, Australia was gradually emerging from the GFC. Since then, impacts like the natural disasters in the eastern states, the high Australian dollar, the European sovereign debt crisis, financial instability in the US and the public debate regarding the pricing of carbon have lowered consumer confidence and impacted on the domestic economy.

In the 2010/11 Annual Report I reported that in the second half of that financial year the company had anticipated running into profitable trading. Unfortunately, this forecast was not realized and we are still to record a profitable trading month.

The level of business grew from \$40.2m to \$48.7m or 21.1%. The 2010/11 year has recorded a loss of \$65k. Regrettably a portion of this was an overrun on staff expenses.

The staff structural changes made in early 2011/12 will prevent a recurrence and salary costs are now running to budget.

The 2010/11 year saw a number of staff changes. In June our Branch Manager Barry McCaffery announced his resignation with a view to return to the media. Peter Done, Lending Manager also advised of his intention to retire in July 2011. I thank both staff for their efforts in building our business over 3 years to current levels. Directors and staff gathered in early July to acknowledge Barry McCaffery's passion and commitment to our company. Ms. Adele Milton, Customer Relations Officer transferred to Bendigo and Adelaide Bank as an assistant regional business banker. The good news is that Adele will not be lost to us completely as her place of work will be in the newly opened Business Centre above the branch.

The resignations have provided an opportunity to restructure the staff and we are very fortunate to welcome the very experienced Bendigo Bank Branch manager Mr. Steve Joy back to Nowra as Branch Manager. Steve was employed at the Bendigo Bank company branch in Deniliquin for 6 years and is very conversant with the many quality products and services available. Already Steve has reestablished contact with a number of acquaintances made during his 15 year career around Nowra as a mortgage broker for Ray White Real Estate. Mr. Mark Bowmaker has also been recruited as Customer Relations Officer. Ms. Deb Parker has been promoted to Senior Customer Service Officer. These changes have streamlined the operation of the Branch and will increase efficiency, effectiveness and reduce staff costs and improve our lending capability. We are very fortunate to have a highly motivated staff team dedicated to quality and friendly customer service.

Bendigo bank has established a new South East NSW Region and appointed Mr. Chris Pursehouse as Regional manager. The move has seen considerably more support being delivered to our branch. In addition the company was successful in attracting the Regional Business Centre to Nowra. This has strengthened access to Business Banking services for our existing and prospective customers. It also has provided an ongoing income stream for our company. Mr. Gary Brown started as the Regional Business Banker and has been working closely with Steve Joy in meeting existing and new clients and offering great service. A Financial Planner has also been appointed to the region with an office in our branch.

A number of Director changes occurred during the year. These include the standing down of Directors Phil Balding (retired at the 2010 AGM), Lynn Locke, Fay Lamont, Ian Thompson, Brian Muller and Ralph Stuart. Members of the Board have again been active with attendance at meetings, conferences, planning sessions and community events. I pay tribute to Bruce Morton who has worked many hours as company treasurer. A big thank you to all directors for their contribution to the company during the year.

In February 2011, members of our board met with senior staff and Executive from Bendigo and Adelaide Bank to be advised of a review it conducted on the **Community Bank** financial model. Bendigo Bank subsequently formally advised all community banks that it intended to reduce commission paid on Term Deposits for periods greater than 90 days and on fixed rate home loans.

This change was to be implemented as from the 1 April 2011 in an effort to restore the income share back to the 50/50 principle which has always been the corner stone of the franchise agreement.

Nowra Branch has been granted a deferral of the implementation of this action until the 1st April 2012. The board will prepare a strong case to Bendigo Bank advocating that a further deferral should be granted until such time as the company is in sufficient profit to prevent pushing us back to a loss situation. It is estimated that the cost of implementing the change in margins would reduce our income by approximately \$35-\$40,000 per annum.

In June 2011, Shoalhaven Community Financial Services Ltd and Bendigo Bank opened an agency at Culburra Beach in partnership with Watters News agency. This was a very special occasion as the action has returned main stream banking services to the Nowra's eastern beach villages. The full range of banking services can be availed at the agency and all deposits are immediately transferred to individual accounts. Congratulations to John and Margaret on taking this initiative.

In 2010/11. Shoalhaven Community Financial Services has continued to invest in our community with cash grants and assistance.

Some examples of this are;

An in-kind donation of \$5000 to provide storage space for St Johns Ambulance Service to store valuable equipment.

Participated in Mayors Welcome to City event. Provided technical assistance and sponsored jumping castle. Value \$300

Donation to Shoalhaven Disability Forum for dinner dance. \$500

Joint sponsor of Suicide Prevention and awareness project. \$1000 from Nowra Branch.

Participated in Nowra Lions "Kids Day Out" at the Nowra Showground.

Donation of \$750 to the Bendigo Bank Aerial Patrol.

Donation of \$1000 to the 2011 City of Shoalhaven Eisteddfod with a promise of similar support in 2012 and 2013.

Provided marquee and promotion to the 2011 Shoalhaven Emergency Services Day at Greenwell Point.

The funds for these investments is sourced from Bendigo bank's market Development Fund and is provided for such purpose.

I hope this report has given you a good understanding of your investment in Shoalhaven Community Financial Services Ltd. and the Nowra and District **Community Bank** Branch, the challenges ahead, the optimism we hold for the future. With the full support of shareholders I am confident that we can deliver the promised outcomes.

I conclude by asking you to reflect and act now to further support your investment the first way is bring your banking, financial or insurance business to the Nowra and District **Community Bank** Branch or to the Culburra Beach Agency. The second method is to spread the news to your friends, neighbours or new residents of the City of how you enjoy doing business in our Bank. Such good news is our best way of promoting and advertising the Branch.

"I will finish with a personal note that I will resign as a SCFS Ltd director at the AGM. The journey in establishing the viability of a community bank and then opening the doors has taken approximately 5 years. My decision is made with the understanding that we have an excellent management and staff team in place to take us forward. In addition, the board of directors is in a process of rejuvenation and the new board can take us forward into a bright future. Thank you all for your support."

Barry Russell
Chair

Manager's Report

For year ending 30 June 2011

Unfortunately I was not employed at Nowra and District Community Bank during the financial year and can only go on my observations since 12th July 2011.

It appears the last financial year continued to be a challenging period as in the previous year although there has been some growth in the bank's book.

Expenses appear to have exceeded expectations and the projected income fell short.

This year I feel there will be a turnaround as the branch focuses on business growth. The branch staffing structure has been realigned to facilitate this.

The board decided to expand its operation by opening the Culburra Beach agency. We have had discussions with the agency proprietors on what is needed and are quite confident they will become a driving force to build business in the Culburra Beach area.

The Bendigo Adelaide Bank Ltd has established a Business Banking office at Nowra and will also be appointing a financial planner by the end of September to service Nowra and District.

I would like to congratulate Chairperson Barry Russell and the board members for their continued diligence with their duties. The job they do is very much underestimated and I admire them for their dedication and hardnosed attitude to strive to make Nowra & District Community Bank branch a success. I anticipate the number of directors will grow to enable them to share some of their workload and the personal rewards gained from their efforts.

Since I have arrived I have received very positive feedback from our existing and new customers about the service that they enjoy and how the staff goes the extra mile to make their banking experience exceptional. Our customers enjoy a more personal banking experience and advocate this to others.

We intend to make a difference to the people in our community. Successful customers make a successful community which in turn leads to a successful bank.

I am proud of our newly structured team and the way in which they have grasped their new duties. They have shown to be flexible in their working arrangements and it is evident they enjoy their work helping our customers.

They all show a desire to develop skills, qualities and willingness to perform at an exceptional level.

I have sought statistics on shareholder participation by investing in the products on offer by the community bank (their company) with some disappointing results which I would like to share.

There are 209 shareholder registered (not including deceased estates)

33.5% (70) shareholders bank with Nowra Community Bank

43% (30) of those shareholders have only one product with Nowra Community Bank. That is only 14% of all shareholders has one product with the bank.

Twenty two (22) that is 31% of the shareholders banking with Nowra Community Bank have 3 or more products. That is only 10% of all shareholders have three or more products with the bank

Six (6) that is 8% of those shareholders banking with Nowra Community Bank have a credit card with the bank. That is only 3% of all shareholders have a credit card facility with the bank.

Forty eight (48) which is 68% of those shareholders banking with Nowra Community Bank have a transaction account with the bank. That is only 23% of all shareholders have a day to day bank account with the bank.

15% of shareholders (10) banking with Nowra Community Bank have solely term deposit account with the bank.

For those shareholders who have not yet committed their banking business to the branch I invite you to test us out.

While last year appeared to be a challenge it is very pleasing to see that the future is looking much better.

My team and I will be working hard to develop the Nowra & District Community Bank branch business over the ensuing twelve months.

I believe in the concept of the Community Bank and love to share this with everyone who is willing to listen.

Regards,

Steve Joy
Branch Manager

Director's report

For the financial year ended 30 June 2011

Your Directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

The names and details of the company's Directors who held office during or since the end of the financial year.

Barry Russell
Chairman
Secretary Dec-Jun
Age 66
Occupation: Retired Civil Engineer

Phil Balding *
Secretary July-Nov
Age 62
Occupation: Certified Practising Accountant

Lyn Locke *
Age 61
Occupation: Club Administrator

Bruce Morton
Age 69
Occupation: Retired Public Accountant

Bill Carter ESM
Age 52
Secretary July-Pres.
Occupation: Retired Inspector of Police

Rob Bruderlin
Age 55
Occupation: Proprietor Retail Stores

John Anderson OAM
Age 67
Occupation: Retired

Mike James
Age 56
Occupation: Company Director

Brian Muller *
Age 52
Occupation: Real Estate Proprietor

Ralph Stuart *
Occupation

Directors were in office for the entire year unless otherwise stated. Lyn Locke, Ralph Stuart retired after the AGM.

Mr Bruce Morton was elected by Shareholders at the 2010 AGM.

Mr Ralph Stuart was elected by Shareholders at the 2010 AGM.

Mr Bill Carter was elected by Shareholders at the 2010 AGM.

A former Director Mr Mike James was re-elected to the Board for 3 years by Shareholders at the 2010 AGM.

Mr Barry Russell, a founding Director, was re-elected to the Board for 3 years by Shareholders at the 2010 AGM.

Mr Barry Russell was elected Chairman by directors.

In June 2011 Mr Bill Carter was elected as Company Secretary by Directors.

During 2010/11 Mr Phil Balding and Mr Barry Russell undertook the duties of company secretary.

Mr Barry Russell has indicated he will be retiring at this AGM.

Mr John Anderson has indicated he will not be standing for re-election at this AGM.

The following people have nominated as Directors of Shoalhaven Community Financial Services Limited.

Mr Juan Alvarez. 78 Years old, Pilot, Aircraft Engineer. Nominated for Australian of the Year Award 2008, Winner of Bathurst NSW of the Regional Community Service Award 2009, Shoalhaven Council Outstanding Community Service Award 2009, Shoalhaven Australia Day Citizen of the Year 2010, Community Service Award by the NSW State Government 2011.

Ms Candice Hazeltine. 30 years old, experience in Marketing, Business Development, Property Investing and Social Media. Diploma Interior Design, Cert IV Business Management, Cert IV Communications.

Mr Bohdan Brumerskj. 25 years old. Three years as Shoalhaven City Councillor, Executive Member of National Sea Change Task Force, Executive Member of NSW Local Government & Shires Association.

Ms Roberta Collins. 57 years old. Master of Business Administration, Master of Arts, Graduate Certificate of Mentoring, Board Member Shoalhaven Business Chamber, Associate Member of Nowra Aboriginal Education Consultative Group, Head of Shoalhaven Campus University of Wollongong 2003-2010.

Mr Ian Zandstra. 64 years old. Former Director Nowra Bendigo, Chairman, Dairy Farmers Milk Co-Op, Bachelor of Arts.

Mrs Maria Emery. 60 years old. Assisted in developing and growing family business (SoilCo Pty Ltd), managing accounts and financial management, staff management, company administration. Qualifications in accounting, training and assessment and Occupational Health and Safety.

The Board has ratified the nominations and recommend them to the shareholders.

Bendigo and Adelaide Bank Limited Report

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Generation Green, Community Telco, Generation Green™ and Community Enterprises) that will provide boards with further development options.

In Bendigo, your **Community Bank**[®] board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Bank's Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis. Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank (BEN) shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**[®] branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**[®] model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Community Bank[®] comment on Restoring the Balance

In February, members of our board meet with senior staff and Executives from Bendigo and Adelaide Bank to hear about the findings of a review it conducted of the **Community Bank**[®] financial model.

The review examined how the model has performed since its inception in 1998 and reaffirmed the success, strength and potential of the banking initiative. It also assessed how relevant the mechanics of the model are given all the structural change that has occurred over time, including the impact of the Global Financial Crisis.

The internal review, conducted with the oversight of a representative board of Australia's 270 **Community Bank**[®] branches concluded:

- The model, in which communities own and operate franchised Bendigo Bank branches, had assisted communities achieve the broad range of outcomes they sought to achieve by partnering with the bank. These range from simply returning banking services to the community, through to actively building the community's balance sheet by aggregating the banking business within a community.
- The fundamental principles on which **Community Bank**[®] was established were sound and relevant – including equal responsibility and equal income share for the bank and each of its partners.
- There are impacts on the revenue mechanisms as a result of structural changes in the industry but, in the main, the model has stood up well to the stresses imposed by the GFC.

However, while the GFC had no impact on the responsibilities of each of the partners in the **Community Bank**[®] network, it did result in a lasting change to margins on two core banking products (fixed rate home loans and term deposits greater than 90 days).

This has resulted in the income share being tilted in favour of us, the community partners, and following discussions with the **Community Bank**[®] Strategic Advisory Board, and an independent review of the income sharing arrangements, we are moving to restore the income share back to the 50/50 principle which has always underpinned the model.

This means some commission payments to **Community Bank**[®] companies, including our own, were reduced from 1 April 2011, in an effort to rebalance the income over the next two years.

The alteration will have no impact on our customers and an insignificant effect on our company as we have a plan to meet growth targets which will counter any reduction in commissions earned on these two products.

Addressing the imbalance places both our **Community Bank**[®] Company and the bank, in the best possible position to maintain development. By successfully addressing this issue together with our partner, we will all be in a better position to grow our joint businesses.

Government Guarantee

All **Community Bank**[®] branches operate under Bendigo and Adelaide Bank's banking licence, and as such all deposits held with a **Community Bank**[®] branch are guaranteed by the Federal Government up to \$1 million, and supported by capital supplied by their franchise partner, Bendigo and Adelaide Bank.

Prudential and regulatory requirements aside, Bendigo and Adelaide Bank also boasts an imposing track record when it comes to the security of depositors' funds. One of Australia's oldest financial institutions, we have operated since 1858 and have declared a profit in every year, including during the depressions of the 1890s (when some banks failed) and 1930s. Over Bendigo and Adelaide Bank's 150 year history we have without fail honoured our depositors.

Changes to Government Guarantee

Bendigo and Adelaide Bank endorses the recommended changes to the Financial Claims Scheme as it still covers 97 to 99 percent of all Australian deposit accounts, including those held with Bendigo Bank. Every Australian bank is regulated by APRA, which means every bank is equally governed and their customer's funds equally protected.

Prudential and regulatory requirements aside, Bendigo and Adelaide Bank also boasts an imposing track record when it comes to the security of depositors' funds. One of Australia's oldest financial institutions, we have operated since 1858 and have declared a profit in every year, including during the depressions of the 1890s (when some banks failed) and 1930s. Over Bendigo and Adelaide Bank's 150 year history we have without fail honoured our depositors.

Russell Jenkins Executive Customer and Community

Principal activities

The principal activities of the company during the course of the financial year were in facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There have been no significant changes to the nature of these activities during the year.

Operating results

The operations have continued to perform below expectations. The loss to the company to the end of the financial year was year ending 30 June 2011 **(\$187,207.00)**

Remuneration report.

No Directors received remuneration during the financial year.

Dividends

No dividends were paid this financial year.

Significant changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report of the financial statements. Please note the Chairman's report in regard to "Restoring the Balance".

The company is aware when Bendigo and Adelaide Bank Limited notify Shoalhaven Community Financial Services Limited that the bank will vary the amount of commission payable on certain products the Board of Shoalhaven Community Financial Services Limited will assess these changes and issue a disclosure notice to shareholders accordingly.

Matters Subsequent to the End of the Financial Year.

There are no matters or circumstances that have arisen since the end of the Financial Year that may significantly affect the operations of the company or the state of affairs of the company in future years.

Likely Developments

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

Environmental Regulation.

The company is not subject to any significant environmental regulation.

Non audit services

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

Auditors Independence Declaration

A copy of the auditor's independence declaration is included as part of the financial statements for the financial year ended 30 June 2011.

Rounding off

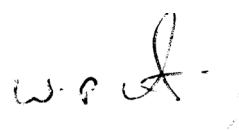
The financial report and the director's report have been rounded off to the nearest one dollar unless otherwise indicated.

Signed in accordance with a resolution of the board of directors at a meeting on the 17 November 2011



Barry Russell

Chairman



Bill Carter

Secretary

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 2011

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

DIRECTORS' REPORT

Your Directors submit the financial report of the company for the financial year 1st July 2010 to 30th June 2011.

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: 66 Retired Civil Engineer	Bruce M Morton Treasurer Non Executive Director Age: 69 Retired Public Accountant	John Anderson Non Executive Director Age: 67 Retired
Michael James Non Executive Director Age: 56 Company Director	Phillip A Balding Non Executive Director Age: 63 Certified Practising Accountant	Robert Bruderlin Non Executive Director Age: 55 Proprietor Retail Stores
Bill Carter Non Executive Director Age: 52 Nowra Police Officer	Ralph Stuart Non Executive Director Age: 69 Developer	Brian Muller Non Executive Director Age: 52 Real Estate Proprietor
Ian Thompson Non Executive Director Age: 74 Retired	Lynn Locke Non Executive Director Age: 61 Club Administrator	Fay Lamont Non Executive Director Age: 66 Company Director

During the financial year Mr Phil Balding, Mr. Ian Thompson, Mrs Lynn Locke & Mr. Fay Lamont retired from the Board.

Mr Michael James and Mr. Bruce Morton were re elected to the Board by shareholders at the company's Annual General Meeting.

Mr. Bill Carter & Ralph Stuart were invited to join the Board in October, 2010.

Mr. Barry Russell was re-elected as the Chairman

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 \$187207 (2010:\$ 279,967)

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.

Likely Developments

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

NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

DIRECTORS' REPORT

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 2011 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 2011. 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 –

	Board Meetings
Total Number of Meetings Held	12
Barry Russell	12
Robert Bruderlin	6
Michael James	7
Bill Carter	7
John Anderson	6
Ralph Stewart	5
Brian Muller	11
Ian Thompson	1
Lynn Locke	1
Bruce Morton	10
Fay Lamont	2
Phillip Balding	4

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

DIRECTORS' REPORT

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 2011.

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 17th November 2011



B.G.Russell
Barry G Russell, Chairman



B.M.Morton
Bruce Morton, Treasurer

NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2011

	Notes	2011 \$	2010 \$
Revenue	2	400,339	265,319
Salaries & employee benefits expense		(282,225)	(299,326)
Depreciation and amortisation expense	3	(54,471)	(55,043)
Other expenses		(250,850)	(190,917)
Profit/(Loss) before income tax expenses	3	(187,207)	(279,967)
Income tax expense	4	-	-
Profit/(Loss) after income tax expense		(187,207)	(279,967)
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO MEMBERS		(187,207)	(279,967)

This Statement should be read in conjunction with the accompanying notes

NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

BALANCE SHEET
AS AT 30 JUNE 2011

	Notes	2011 \$	2010 \$
Current Assets			
Cash assets	6	2,314	29
Receivables and prepayments	7	37,846	32,806
Total Current Assets		<u>40,160</u>	<u>32,835</u>
Non-Current Assets			
Property, plant & equipment	8	213,536	246,008
Intangible assets	9	42,167	64,167
Total Non-Current Assets		<u>255,703</u>	<u>310,175</u>
Total Assets		<u>295,863</u>	<u>343,010</u>
Current Liabilities			
Trade and other Payables	10	28,070	15,820
Interest bearing liabilities	11	421,005	303,608
Provisions	12	14,994	14,415
Total Current Liabilities		<u>464,069</u>	<u>333,843</u>
Non Current Liabilities			
Interest bearing liabilities	11	-	-
Provisions	12	9,834	-
Total Non Current Liabilities		<u>9,834</u>	<u>-</u>
Total Liabilities		<u>473,903</u>	<u>333,843</u>
Net Assets/(Liabilities)		<u>(178,040)</u>	<u>9,167</u>
Equity			
Contributed equity	13	844,400	844,400
Retained profits/(Accumulated Losses)	14	(1,022,440)	(835,233)
Total Equity		<u>(178,040)</u>	<u>9,167</u>

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

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Issued Capital \$	Accumulated losses \$	Total \$
Opening balance	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	<u>844,400</u>	<u>(835,233)</u>	<u>9,167</u>
Balance at 1 July 2010	844,400	(835,233)	9,167
Shares issued	-	-	-
Loss attributable to the members of the Company	-	(187,207)	(187,207)
Balance at 30 June 2011	<u>844,400</u>	<u>(1,022,440)</u>	<u>(178,040)</u>

This statement should be read in conjunction with the accompanying notes

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
Cash Flows from Operating Activities			
Receipts from operations		426,008	283,107
Payments to suppliers and employees		(515,806)	(522,117)
Finance costs		(25,336)	(8,069)
Interest received		21	-
Net cash from/(used in) operating activities	15b	(115,112)	(247,079)
Cash Flows from Investing Activities			
Net cash flows from/(used in) investing activities		-	-
Cash Flows from Financing Activities			
Net cash flows from/(used in) financing activities		-	-
Net increase/(decrease) in cash held		(115,112)	(247,079)
Cash at the beginning of the financial period		(303,579)	(56,500)
Cash at the end of the financial period	15a	(418,691)	(303,579)

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

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BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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.

As disclosed in the financial statements, the company incurred a loss of \$187,207 and had net cash outflows from operating activities of \$115,112 for the year ended 30 June 2011. As at that date the company had net current liabilities of \$423,909. 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 recognises that losses will be incurred during the start up phase of the business and while market access is being developed and 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 for \$500,000 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. The company believes that it is fulfilling these responsibilities.

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 2011 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.

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BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES CONT

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.

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).

NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES CONT

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.

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 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.

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES CONT

Financial instruments (cont)

The company 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.

(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.

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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 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 Impact
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
AASB 1053	<i>Application of Tiers of Australian Accounting Standards</i>	This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	Minimal Impact
2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements and amends AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052.	1 July 2013	Minimal Impact
2010-6	<i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i>	This Standard adds and amends disclosure requirements about transfers of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them.	1 July 2011	Minimal Impact
2011-1	<i>Amendments to Australia Accounting Standards arising from the Trans-Tasman Convergence Project</i>	Amends AASB 1 5, 101, 107, 108, 121, 128, 132, 134 and Interpretations 2, 112 & 113 as a result of the Trans-Tasman Convergence Project.	1 July 2011	Minimal Impact

**NOWRA & DISTRICT COMMUNITY BANK®
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements (AASB 101 & 1054)	This Standard makes amendments to the following Australian Accounting Standards: 1. AASB 101 <i>Presentation of Financial Statements</i> 2. AASB 1054 <i>Australian Additional Disclosures</i> , to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project.	1 July 2013	Minimal Impact
2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	This Standard makes amendments to Australian Accounting Standard AASB 124 <i>Related Party Disclosures</i> .	1 July 2013	Disclosure only

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	\$	\$
NOTE 2: REVENUE		
Operating Activities		
- <i>services & commissions</i>	400,318	265,319
Non Operating Activities		
- <i>interest received</i>	21	-
	400,339	265,319
NOTE 3: EXPENSES		
Borrowing Expenses		
- <i>interest paid</i>	25,336	5,966
Depreciation of non-current assets		
- <i>plant & equipment</i>	32,471	33,043
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%	(56,162)	(83,990)
Add tax effect of		
- <i>Non-deductible expenses</i>	-	-
- <i>Future income tax benefit not brought to account</i>	56,162	83,990
	-	-
Income tax expense on operating profit/(loss)	-	-
Tax Liabilities		
Current tax payable	-	-
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.	-	-
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	9,500	10,000
	9,500	10,000

NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
NOTE 6: CASH ASSETS		
Cash at bank and on hand	2,314	29
	<hr/>	<hr/>
NOTE 7: RECEIVABLES & PREPAYMENTS		
Prepayments	6,355	11,444
Trade and other receivables	31,491	21,362
	<hr/>	<hr/>
	37,846	32,806
	<hr/>	<hr/>
NOTE 8 PROPERTY, PLANT & EQUIPMENT		
Plant & Equipment – At cost	315,476	315,476
Less accumulated depreciation	(101,940)	(69,468)
	<hr/>	<hr/>
	213,536	246,008
	<hr/>	<hr/>
Total written down amount	213,536	246,008
	<hr/>	<hr/>
Plant and Equipment		
<i>Carrying amount at beginning of year</i>	246,008	279,051
<i>Additions</i>	-	-
<i>Disposals</i>	-	-
<i>Depreciation expense</i>	32,472	33,043
<i>Carrying amount at end of year</i>	<hr/>	<hr/>
	213,536	246,008
	<hr/>	<hr/>
NOTE 9: INTANGIBLE ASSETS		
Franchise Fee		
<i>At cost</i>	110,000	110,000
<i>Less accumulated amortisation</i>	(67,833)	(44,833)
	<hr/>	<hr/>
	42,167	64,167
	<hr/>	<hr/>
NOTE 10: PAYABLES		
Trade Creditors	21,218	538
Other creditors and accruals	6,852	15,282
	<hr/>	<hr/>
	27,722	15,820
	<hr/>	<hr/>
NOTE 11: INTEREST BEARING LIABILITIES		
Bank overdraft*	421,005	303,608
	<hr/>	<hr/>

* The overdraft facility is supplied by the Bendigo and Adelaide Bank Limited. The facility has an approved limit of \$500,000 with a floating interest rate of 6.490% as at 30 June 2011. Bendigo and Adelaide Bank Limited have taken a fixed and floating charge over the assets of the company.

	2011	2010
	\$	\$
NOTE 12: PROVISIONS		
Employee benefits – current	14,994	14,415
Employee benefits – non current	9,834	-
	<hr/>	<hr/>
Number of employees at period end	6	6

NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
NOTE 13: CONTRIBUTED EQUITY		
844,400 ordinary Shares fully paid of \$1 each	844,400	844,400
NOTE 14: RETAINED PROFITS/(ACCUMULATED LOSSES)		
Balance at the beginning of the financial period	(835,233)	(555,266)
Net profit/(loss) from ordinary activities after income tax	(187,207)	(279,967)
Dividends	-	-
Balance at the end of the financial period	(1,022,440)	(835,233)
NOTE 15: STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
<i>Cash assets</i>	2,314	29
<i>Bank overdraft</i>	(421,005)	(303,608)
	(418,691)	(303,579)
(b) reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Loss after income tax	(187,207)	(279,967)
Net Cash Flows		
Net cash items		
- <i>Depreciation</i>	32,472	33,043
- <i>Amortisation</i>	22,000	22,000
Changes in assets and liabilities		
- <i>(Increase)decrease in receivables and prepayments</i>	(5,040)	(12,824)
- <i>Increase (decrease) in payables</i>	12,250	(8,225)
- <i>Increase (decrease) in employee benefits</i>	10,413	(1,106)
Net cash flows from/(used in) operating activities	(115,112)	(247,079)

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:
 Barry G Russell; Phillip A Balding; Bruce Morton; Bill Carter; Ralph Stuart, Brian Muller; Robert Bruderlin; Michael James; John Anderson; Lynne Locke; Fay Lamont

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.

NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19: 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 20. 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 2011.

(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 2011.

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 2011 and 30 June 2010 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.

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

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

NOTE 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	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash at bank	2,314	29	-	-	2,314	29
Trade and other receivables	-	-	37,846	32,806	37,846	32,806
Total Financial Assets	2,314	29	37,846	32,806	40,160	32,835
Financial liabilities						
Overdraft Facility	421,005	303,608	-	-	421,005	303,608
Trade and sundry payables	-	-	28,070	15,820	28,070	15,811
Total Financial Liabilities	421,005	303,608	28,070	15,820	449,075	319,428

**NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO & ADELAIDE BANK LIMITED**

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2011**

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 2011 and of their performance for the year ended on that date; 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:
B.G.RUSSELL

Director

B.M.MORTON



(Barry G Russell)

Director

Dated, 17th November, 2011



(Bruce M Morton)

RSM Bird Cameron Partners

Level 1, 103-105 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 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 about 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Shoalhaven Community Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

RSM Bird Cameron Partners

Chartered Accountants

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 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards 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: 18 NOVEMBER 2011

RSM Bird Cameron Partners

Chartered Accountants

RSM Bird Cameron Partners

Level 1, 103-105 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

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 2011 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

G M STENHOUSE
Partner

Canberra, Australian Capital Territory
Dated: 18 NOVEMBER 2011



NOT JUST ANOTHER BANK