

Nowra & District **Community Bank**[®] Branch

2012

annual report

Shoalhaven Community Financial
Services Limited

ABN 77 128 253 065

Chairman's Report

There have been many changes in our Board since the last Annual General Meeting. I replaced Barry Russell as Chairperson who stood down due to ill health. We wish him a full recovery.

The Board consisted of Bill Carter, as Secretary, Bruce Morton, as Treasurer, and Directors Juan Alvarez, Rob Bruderlin, Robbie Collins, Maria Emery, Candice Hazeltine and Mike James along with myself. Unfortunately due to other commitments Robbie Collins and Juan Alvarez needed to resign.

The Board acknowledges the contributions they have made over the last six months. We look forward to people interested in filling these positions. If you feel you have the skills, the time to contribute, the enthusiasm for the community and the **Community Bank®** model then we would like to hear from you.

This year we have seen some great results from the newly structured team at the branch. Our financial position has improved quite well over the last twelve month period and we are confident it will continue to do so in the future.

Even though we have not shown a paper profit for this financial year the result of a loss of \$50,950.00 compared to a loss last year of \$187,207.00 is a wonderful change. Our cashflow has improved and we are reducing our overdraft. The book value of the business has grown by 17.5% mainly due to an increase in lending activity over the last financial year.

The **Community Bank®** branch is only successful due to the support of the community. I therefore ask for everyone to continue to support the branch for the long term benefit of the community. The community bank model is based on successful customers creating successful communities which in turn will create a **Community Bank®** branch

The success of this business is reliant upon the great staff we have working in the branch and I thank them all for their commitment.

Finally I would like to thank my fellow Board members for their support over the last twelve months, especially Bruce Morton for the long hours he has put in to keep the Board informed of our financial position.

Bohdan Brumerskyj
Chairman

Manager's Report

I am pleased to report the branch has been quite successful over the last financial year.

Our total book value has increased by 17.5%. This has been due mainly to a large growth in lending.

Although there is still some way for the branch to operate profitably the, trend has turned around in the last twelve months as can be seen from the financial report.

I am confident, that with the support of the shareholders and the community over the next twelve months, the next financial year's report will be pleasing to all stakeholders.

We have been able to spread the name of Bendigo and Adelaide Bank throughout the Shoalhaven and how the **Community Bank**[®] model is meant to operate to benefit the local people.

With prosperity comes benefits to the local community and that is what the **Community Bank**[®] concept is all about.

Successful customers lead to a successful community which leads to a successful bank. Local people need to bank with us. It is as simple as that.

We need local people to commit their banking to Nowra **Community Bank**[®] Branch, this includes our shareholders doing their business with their bank (yes, shareholders are the owners of this **Community Bank**[®] branch).

Banking can be either, personal banking accounts, home loans, personal loans credit cards, insurance, business banking accounts, business credit cards, merchant facilities, and many more products which most banks offer.

The more banking that is done through Nowra **Community Bank**[®] Branch the more that can go back to the community and to the shareholders.

We have started giving assistance to some of the local not for profit groups through a round of grants that was opened last October and again in April this year. As there has been no profit made the funding for these grants has come generously from the Bendigo and Adelaide Bank's marketing development fund.

Our staff have willingly adapted to changes instigated for the betterment of the branch and are looking forward to another prosperous year.

The branch staff are always ready to help customers and are proud of the exceptional service provided. Our customers have commented to me about how great they are.

I would like to express my gratitude to the staff and the Board on their involvement over the past twelve months and look forward to greater things in the future.

Steve Joy

Branch Manager

SHOALHAVEN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 77 128 253 065

TRADING AS

NOWRA & DISTRICT COMMUNITY BANK®
BRANCH OF BENDIGO AND ADELAIDE BANK LTD

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

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DIRECTORS' REPORT

The Directors present their report on the Company for the financial year ended 30 June 2012.

Directors

The names of the Directors in office at any time during, or since the end of, the year are:

| | | |
|---|--|---|
| Bohdan Brumerskyj Chairman Non Executive Director Age: 26 Sales Manager | Bruce M Morton Treasurer Non Executive Director Age: 70 Retired Chartered Accountant | Bill Carter Secretary Non Executive Director Age: 53 Retired Police Officer |
| Michael James Non Executive Director Age: 57 Company Director | Robert Bruderlin Non Executive Director Age: 56 Retailer | Maria Emery Non Executive Director Age: 61 Business Manager |
| Candice Hazeltine Non Executive Director Age: 30 Business Proprietor | Barry G Russell Chairman Non Executive Director Age: 67 Retired Civil Engineer | John Anderson Non Executive Director Age: 68 Retired |
| Roberta Collins Non Executive Director Age: 58 University Administration | Juan Alvarez Non Executive Director Age: 79 Retired | |

Directors have been in office since the start of the financial year to the date of this report, with the exception of:

- Bohdan Brumerskyj, Candice Hazeltine and Maria Emery were elected to the Board on 12 December 2011
- Barry G Russell and John Anderson retired from the Board on 12 December 2011
- Juan Alvarez and Roberta Collins were elected to the Board on 12 December 2011 and subsequently retired on 1 June 2012.

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 and Adelaide Bank Limited.

No significant changes in the nature of these activities occurred during the year.

Review of Operations

The loss of the Company for the financial year after provision for income tax was \$50,950 (2011: loss of \$187,207).

Significant Changes in the State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

DIRECTORS' REPORT

Continued...

Events Subsequent to the End of the Reporting Period

No matters of circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely Developments and Expected Results of Operations

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

Dividends

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

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State or Territory.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

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 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 or related body corporate.

Indemnification of 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 2012 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 2012. 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 cover 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' REPORT

Continued...

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Directors' Meetings

During the financial year, 12 meetings of Directors were held. Attendances by each Director during the year were as follows:

| Director | Directors' Meetings | |
|-------------------|---------------------|--------------------|
| | Attended | Eligible to Attend |
| Bruce Morton | 10 | 12 |
| Robert Bruderlin | 8 | 12 |
| Michael James | 10 | 12 |
| Bill Carter | 10 | 12 |
| Bohdan Brumerskyj | 5 | 6 |
| Maria Emery | 3 | 6 |
| Candice Hazeltine | 4 | 6 |
| John Anderson | 5 | 6 |
| Barry Russell | 5 | 6 |
| Roberta Collins | 2 | 5 |
| Juan Alvarez | 5 | 5 |

Company Secretary

The Bill Carter held the position of Company Secretary at the end of the financial year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s 370C of the Corporations Act 2011 is set out on page 4.

This Directors' Report is signed in accordance with a resolution of the Board of Directors:



.....
Bruce Morton
Treasurer

Dated this 1st day of November 2012.

**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 2012 there have 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.

Daley & Co
.....
Daley & Co
Chartered Accountants
98 Kembla Street
Wollongong NSW 2500

Michael Mundt
.....
Michael Mundt
Partner

Dated this 1st day of November 2012.

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2012**

| | NOTE | 2012 \$ | 2011 \$ |
|--|------|-----------------|------------------|
| Revenue | 2 | 480,451 | 399,182 |
| Other Revenue | 2 | 8,833 | 1,157 |
| Employee Benefits | | (263,991) | (310,093) |
| Depreciation and Amortisation Expense | | (55,347) | (54,472) |
| Rent and Occupancy Expenses | | (71,516) | (76,549) |
| Interest Expense | | (28,815) | (25,336) |
| Other Administration Expenses | | (120,565) | (121,096) |
| Loss Before Income Tax | | <u>(50,950)</u> | <u>(187,207)</u> |
| Income Tax Expense | 4 | - | - |
| Loss After Income Tax | | <u>(50,950)</u> | <u>(187,207)</u> |
| Other Comprehensive Income After Income Tax: | | | |
| Other Comprehensive Income Items | | - | - |
| Other Comprehensive Income for the Year, Net of Tax | | <u>-</u> | <u>-</u> |
| Total Comprehensive Income for the Year | | <u>(50,950)</u> | <u>(187,207)</u> |

The accompanying notes form part of these financial statements

**BALANCE SHEET
 AS AT 30 JUNE 2012**

| | NOTE | 2012 \$ | 2011 \$ |
|--------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 5 | 352 | 2,314 |
| Trade and Other Receivables | 6 | 34,981 | 31,491 |
| Other Assets | 7 | 5,501 | 6,355 |
| TOTAL CURRENT ASSETS | | <u>40,834</u> | <u>40,160</u> |
| NON-CURRENT ASSETS | | | |
| Property, Plant and Equipment | 8 | 180,189 | 213,536 |
| Intangible Assets | 9 | 20,167 | 42,167 |
| TOTAL NON-CURRENT ASSETS | | <u>200,356</u> | <u>255,703</u> |
| TOTAL ASSETS | | <u>241,190</u> | <u>295,863</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 10 | 29,666 | 28,070 |
| Borrowings – Bank Overdraft | 11 | 427,397 | 421,005 |
| Provisions | 12 | 8,232 | 14,994 |
| TOTAL CURRENT LIABILITIES | | <u>465,295</u> | <u>464,069</u> |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 12 | 4,885 | 9,834 |
| TOTAL NON-CURRENT LIABILITIES | | <u>4,885</u> | <u>9,834</u> |
| TOTAL LIABILITIES | | <u>470,180</u> | <u>473,903</u> |
| NET ASSETS | | <u>(228,990)</u> | <u>(178,040)</u> |
| EQUITY | | | |
| Contributed Equity | 13 | 844,400 | 844,400 |
| Accumulated Losses | | (1,073,390) | (1,022,440) |
| TOTAL EQUITY | | <u>(228,990)</u> | <u>(178,040)</u> |

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

| | Issued Capital \$ | Accumulated Losses \$ | Total \$ |
|-------------------------|----------------------|-----------------------------|-------------|
| Balance at 1 July 2010 | 844,400 | (835,233) | 9,167 |
| Loss for the Year | - | (187,207) | (187,207) |
| Balance at 30 June 2011 | 844,400 | (1,022,440) | (178,040) |
| Loss for the Year | - | (50,950) | (50,950) |
| Balance at 30 June 2012 | 844,400 | (1,073,390) | (228,990) |

The accompanying notes form part of these financial statements

**CASH FLOW STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2012**

| | NOTE | 2012 \$ | 2011 \$ |
|--|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Operations | | 534,612 | 426,008 |
| Payments to Suppliers and Employees | | (514,249) | (515,805) |
| Interest Received | | 98 | 21 |
| Finance Costs Paid | | (28,815) | (25,336) |
| Net Cash Used In Operating Activities | 18(b) | <u>(8,354)</u> | <u>(115,112)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net Cash Used In Investing Activities | | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net Cash Used In Financing Activities | | <u>-</u> | <u>-</u> |
| Net Decrease in Cash Held | | (8,354) | (115,112) |
| Cash and Cash Equivalents at the Start of the Year | | (418,691) | (303,579) |
| Cash and Cash Equivalents at the End of the Year | 18(a) | <u>(427,045)</u> | <u>(418,691)</u> |

The accompanying notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are for Shoalhaven Community Financial Services Limited as an individual entity, incorporated and domiciled in Australia. Shoalhaven Community Financial Services Limited is a Company limited by shares.

Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue of 1st of November 2012 by the Directors of Shoalhaven Community Financial Services Limited.

Accounting Policies

a) Going Concern

These financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company is technically insolvent in that its liabilities exceed its assets. This has come as a result of significant losses experienced in the past three years:

- \$50,950 in 2011/12;
- \$187,207 in 2010/11; and
- \$279,967 in 2009/10.

Additionally, as per the 30 June 2012 balance sheet, there is a net current asset deficiency, with the value of current liabilities exceeding current assets by \$228,990 (2011: \$180,040).

Since the balance date, the Company has continued to take steps to improve its trading performance by careful cash flow management, further reducing operating costs and reconfirming the level of support from Bendigo and Adelaide Bank Ltd in relation to the provision of the overdraft facility of \$450,000 for a period of 12 months from the date of signing this financial report (refer note 20). This allows the statutory financial report to be prepared on a going concern basis.

As a result of the above measures, the Directors believe that the Company will continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

b) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax expense is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details or impairment).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

c) Property, Plant and Equipment

Continued....

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each for each class of depreciable assets are:-

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Leasehold Improvements | 5 – 10% |
| Plant and Equipment | 5 – 20% |
| Computer Equipment | 20% |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the Company, are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

e) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

e) Financial Instruments

Continued....

Classification and Subsequent Measurement

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

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

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.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar 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 either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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 Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

e) Financial Instruments

Continued....

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.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into the profit or loss.

Available-for-sale financial assets are classified as non-current assets, when they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

v) *Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence that impairment as a result of one or more events ("a loss event") has occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in the profit and loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit and loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

e) Financial Instruments

Continued....

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company 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 expired. The difference between the carrying value of the financial liability, which is 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.

f) Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

g) Intangible Assets

Franchise fees are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Franchise fees are amortised over their useful life of 5 years.

h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Balance Sheet.

k) Revenue

Interest, service fees and commission is recognised when earned.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

l) Trade and Other Payables

Trade and other payables represent the liability outstanding at reporting date for goods and services received by the Company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cashflows arising from financing or investing activities which are recoverable from, or payable to, the ATO are presented as part of operating cash flows included in receipts from customers or payments to suppliers.

n) Comparatives

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

Where the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a Balance Sheet as at the beginning of the earliest comparative period will be disclosed.

o) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

p) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments [December 2010] and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19, & 127] (applicable for annual reporting periods commencing from 1 January 2013).

These standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and recognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on the investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets where there is a change in an Company's business model as they are initially classified based on:
 - (a) the objective of the Company's business model for managing the financial assets; and
 - (b) the characteristics of the contractual cash flows; and
- Requiring an Company that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the Company's own credit risk in the other comprehensive income, except when that would create and accounting mismatch. If such a mistake would be created or enlarged, the Company is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [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] (applicable for annual reporting periods commencing on or after 1 July 2013).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

p) New Accounting Standards for Application in Future Periods

Continued....

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1 but contains significantly fewer disclosure requirements.

The amendments are not expected to significantly impact the Company.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 12] (applies to period beginning on or after 1 January 2012).

This standard makes amendments to AASB 12: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an Company expects to recover an asset by using it or selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied into the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Company.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-111, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2012).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- Enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Continued...

p) New Accounting Standards for Application in Future Periods

Continued....

- AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1039] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassified to profit or loss subsequently.

This Standard affects presentation only and therefore not expected to significantly impact the Company.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendment to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Company does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to:

- (a) Require only those benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service to be classified as short-term employee benefits. All other benefits are to be classified as other long-term employee benefits or termination benefits, as appropriate; and
- (b) The accounting for termination benefits that require an Company to recognise an obligation for such benefits at the earlier of:
 - (i) for an offer that may be withdrawn - when the employee accepts;
 - (ii) for an offer that cannot be withdrawn - when the offer is communicated to affected employees; and
 - (iii) where the termination is associated with a restructuring of activities under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions - when the related restructuring costs are recognised.

The Company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 \$ | 2011 \$ |
|---|----------------|----------------|
| 2. REVENUE AND OTHER INCOME | | |
| Revenue | | |
| Services and Commission | 480,451 | 399,182 |
| Other Revenue | | |
| Rent Received | 8,735 | 1,136 |
| Interest Revenue | 98 | 21 |
| | <u>8,833</u> | <u>1,157</u> |
| Total Revenue | <u>489,284</u> | <u>400,339</u> |
| 3. RESULT FOR THE YEAR | | |
| (a) Expenses | | |
| Depreciation of Property, Plant and Equipment | 33,347 | 32,472 |
| Amortisation of Intangible Assets | 22,000 | 22,000 |
| Finance Costs | 28,815 | 25,336 |
| Rental Expense on Operating Leases | | |
| - Minimum Lease Payments | 48,086 | 51,570 |
| Auditor's Remuneration: | | |
| - Audit Services – Current Auditor | 9,500 | - |
| - Audit Services – Previous Auditor | - | 9,500 |
| | <u>9,500</u> | <u>9,500</u> |
| 4. INCOME TAX EXPENSE / (BENEFIT) | | |
| The components of tax benefit comprise: | | |
| • Current Tax | - | - |
| • Deferred Tax | - | - |
| | <u>-</u> | <u>-</u> |
| The prima facie tax on the operating result is reconciled to the income tax expense/(benefit) as follows: | | |
| Prima facie tax payable on the result from ordinary activities before income tax at 30%. | (15,285) | (56,162) |
| Add/(Less): Tax Effect of | | |
| • Tax losses not brought to account as deferred tax assets | 15,285 | 56,162 |
| Income Tax Expense / (Benefit) | <u>-</u> | <u>-</u> |
| Deferred Tax Assets not brought to account: | | |
| • Revenue Losses | 319,982 | 304,697 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 \$ | 2011 \$ |
|---------------------------------------|---------------|---------------|
| 5. CASH AND CASH EQUIVALENTS | | |
| Cash at Bank and on Hand | <u>352</u> | <u>2,314</u> |
| 6. TRADE AND OTHER RECEIVABLES | | |
| Other Receivables | <u>34,981</u> | <u>31,491</u> |

(i) Credit Risk - Trade and Other Receivables

The Company does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the Company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

The balances of receivables that remain within initial trade terms (as detailed in the following table) are considered to be of high credit quality

| | Gross amount \$ | Past due and impaired \$ | Past due but not impaired (days overdue) | | | | Within initial trade terms \$ |
|-------------------|--------------------|-----------------------------|---|-------------|-------------|------------|----------------------------------|
| | | | < 30 \$ | 31-60 \$ | 61-90 \$ | > 90 \$ | |
| 2012 | | | | | | | |
| Other Receivables | 34,981 | - | - | - | - | - | 34,981 |
| Total | <u>34,981</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>34,981</u> |
| 2011 | | | | | | | |
| Other Receivables | 31,491 | - | - | - | - | - | 31,491 |
| Total | <u>31,491</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,491</u> |

| | 2012 \$ | 2011 \$ |
|--------------------------------|--------------|--------------|
| 7. OTHER CURRENT ASSETS | | |
| Prepayments | <u>5,501</u> | <u>6,355</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 \$ | 2011 \$ |
|--|----------------|----------------|
| 8. PROPERTY, PLANT AND EQUIPMENT | | |
| Plant & Equipment | | |
| At Cost | 18,818 | 18,818 |
| Less Accumulated Depreciation | (12,620) | (9,324) |
| | <u>6,198</u> | <u>9,494</u> |
| Computer Equipment | | |
| At Cost | 14,593 | 14,593 |
| Less Accumulated Depreciation | (11,706) | (8,787) |
| | <u>2,887</u> | <u>5,806</u> |
| Leasehold Improvements | | |
| At Cost | 282,065 | 282,065 |
| Less Accumulated Depreciation | (110,961) | (83,829) |
| | <u>171,104</u> | <u>198,236</u> |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | <u>180,189</u> | <u>213,536</u> |

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year:-

| | Opening WDV \$ | Additions \$ | Disposals \$ | Depreciation / Amortisation Expense \$ | Closing WDV \$ |
|------------------------|----------------------|-----------------|-----------------|---|----------------------|
| 2012 | | | | | |
| Plant and Equipment | 9,494 | - | - | (3,296) | 6,198 |
| Computer Equipment | 5,806 | - | - | (2,919) | 2,887 |
| Leasehold Improvements | 198,236 | - | - | (27,132) | 171,104 |
| | <u>213,536</u> | - | - | <u>(33,347)</u> | <u>180,189</u> |
| 2011 | | | | | |
| Plant and Equipment | 12,790 | - | - | (3,296) | 9,494 |
| Computer Equipment | 8,725 | - | - | (2,919) | 5,806 |
| Leasehold Improvements | 224,493 | - | - | (26,257) | 198,236 |
| | <u>246,008</u> | - | - | <u>(32,472)</u> | <u>213,536</u> |

| | 2012 \$ | 2011 \$ |
|-------------------------------|---------------|---------------|
| 9. INTANGIBLE ASSETS | | |
| Franchise Fee | | |
| At Cost | 110,000 | 110,000 |
| Less Accumulated Amortisation | (89,833) | (67,833) |
| | <u>20,167</u> | <u>42,167</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 \$ | 2011 \$ |
|--|--------------------------|--------------------------|
| 9. INTANGIBLE ASSETS | | |
| Continued... | | |
| (a) Movements in Carrying Amounts | | |
| Franchise Fee | | |
| Balance at Beginning of Year | 42,167 | 64,167 |
| Amortisation Expense | (22,000) | (22,000) |
| Balance at End of Year | <u>20,167</u> | <u>42,167</u> |
| 10. TRADE AND OTHER PAYABLES | | |
| Trade and Other Payables | <u>29,666</u> | <u>28,070</u> |
| 11. BORROWINGS | | |
| CURRENT | | |
| Secured | | |
| Bank Overdraft ^(a) | <u>427,397</u> | <u>421,005</u> |
| | | |
| (a) The overdraft facility is supplied by the Bendigo and Adelaide Bank Limited. The facility has an approved limit of \$450,000 with a floating interest rate of 6.452% at 30 June 2012. Bendigo and Adelaide Bank Limited have a Registered First Company Debenture charge from the Company. | | |
| | | |
| 12. PROVISIONS | 2012 \$ | 2011 \$ |
| Analysis of Provisions | | |
| Current | 8,232 | 14,994 |
| Non-Current | 4,885 | 9,834 |
| | <u>13,117</u> | <u>24,828</u> |
| | | |
| Provision for Long-term Employee Benefits | | |
| A provision has been recognised for employee entitlements relating to annual leave and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 of the financial statements. | | |
| | | |
| 13. ISSUED CAPITAL | 2012 \$ | 2011 \$ |
| 844,400 Ordinary Shares fully paid of \$1 each | <u>844,400</u> | <u>844,400</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

14. CAPITAL MANAGEMENT

Management controls the capital of the Company in order to maintain a good debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manage the Company's capital by assessing the Company's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

The gearing ratios for the current and comparative year end are as follows:

| | 2012 \$ | 2011 \$ |
|---------------------------------|------------------|------------------|
| Borrowings | 427,397 | 421,005 |
| Trade and other payables | 29,666 | 28,070 |
| Total | <u>457,063</u> | <u>449,075</u> |
| Less: Cash and cash equivalents | (352) | (2,314) |
| Net debt | 456,711 | 446,761 |
| Total equity | <u>(228,990)</u> | <u>(178,040)</u> |
| Total capital | <u>227,721</u> | <u>268,721</u> |
| Gearing ratio | 200% | 166% |

15. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-Cancellable operating leases contracted for but not capitalised in the financial statements

Payable - Minimum lease payments

| | | |
|---|---------------|---------------|
| - Not later than 12 months | 31,208 | 52,140 |
| - Later than 12 months but not later than 5 years | - | 29,136 |
| | <u>31,208</u> | <u>81,276</u> |

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the five-year term for an addition term of five years.

(b) Other Expenditure Commitments

Other expenditure commitments contracted for:

| | | |
|-----------------------|---------------|----------|
| Franchise Fee Renewal | <u>60,000</u> | <u>-</u> |
|-----------------------|---------------|----------|

The franchise agreement with the Bendigo and Adelaide Bank Ltd has an initial five year term with the option for additional renewal periods. The initial term is due to expire during the 2013 financial year, at which time the Company is committed to exercising the renewal option for a further 5 year term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

| | NOTES | 2012 \$ | 2011 \$ |
|---|-------|------------------|------------------|
| 16. RELATED PARTY TRANSACTIONS | | | |
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated. | | | |
| (a) In June 2012 Mr Bruce Morton, a Director of the Company, entered into a contract with the Company to provide monthly accountancy services. | | 850 | - |
| 17. KEY MANAGEMENT PERSONNEL | | | |
| The Board of Directors are considered to be Key Management Personnel of the Company. | | | |
| With the exception of the above related party transaction at Note 16, no other compensation is paid or payable to Key Management Personnel of the Company in connection with the management of the Company. | | | |
| 18. CASH FLOW INFORMATION | | | |
| (a) Reconciliation of Cash | | | |
| Cash and Cash Equivalents | 5 | 352 | 2,314 |
| Borrowings | 11 | (427,397) | (421,005) |
| | | <u>(427,045)</u> | <u>(418,691)</u> |
| (b) Reconciliation of Cash Flow from Operations with Result | | | |
| Result for the year | | (50,950) | (187,207) |
| Non-Cash Flows | | | |
| Depreciation and Amortisation | | 55,347 | 55,472 |
| Changes in Assets and Liabilities | | | |
| (Increase)/Decrease in Trade and Other Receivables | | (3,490) | (10,129) |
| (Increase)/Decrease in Other Assets | | 854 | 5,089 |
| Increase/(Decrease) in Trade and Other Creditors | | 1,596 | 12,250 |
| Increase/(Decrease) in Provisions | | (11,711) | 10,413 |
| | | <u>(8,354)</u> | <u>(115,112)</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

19. FINANCIAL RISK MANAGEMENT

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | NOTES | 2012 \$ | 2011 \$ |
|---|-------|----------------|----------------|
| Financial Assets | | | |
| Cash and cash equivalents | 4 | 352 | 2,314 |
| Trade and other receivables | 5 | 34,981 | 31,491 |
| | | <u>35,333</u> | <u>33,805</u> |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost | | | |
| - Trade and other payables | 10 | 29,666 | 28,070 |
| - Borrowings | 11 | 427,397 | 421,005 |
| | | <u>457,063</u> | <u>449,075</u> |

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Specific Financial Risk Exposures and Management

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

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the Company.

The Company does not have any material credit risk exposure as the major source of revenue is the receipt of commission.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the balance sheet.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 6.

The Company has no significant concentration of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables are provided in Note 6.

Credit risk related to balances with banks and other financial institutions is managed by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

19. FINANCIAL RISK MANAGEMENT

Continued...

(b) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The Company manages this risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

| | Within 1 Year \$ | 1 to 5 Years \$ | Over 5 Years \$ | Total contractual cash flow \$ |
|------------------------------|------------------------|--------------------|--------------------|--------------------------------------|
| At 30 June 2012 | | | | |
| Financial liabilities | | | | |
| Borrowings | 427,397 | - | - | 427,397 |
| Trade & Other Payables | 29,666 | - | - | 29,666 |
| Total Financial Liabilities | 457,063 | - | - | 457,063 |
| At 30 June 2011 | | | | |
| Financial liabilities | | | | |
| Borrowings | 421,005 | - | - | 421,005 |
| Trade & Other Payables | 28,070 | - | - | 28,070 |
| Total Financial Liabilities | 449,075 | - | - | 449,075 |

(c) Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments.

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposure to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

| | 2012 \$ | 2011 \$ |
|-----------------------------------|------------|------------|
| Change in profit | | |
| — Increase in interest rate by 1% | (4,273) | (4,189) |
| — Decrease in interest rate by 1% | 4,273 | 4,189 |
| Change in equity | | |
| — Increase in interest rate by 1% | (4,273) | (4,189) |
| — Decrease in interest rate by 1% | 4,273 | 4,189 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

19. FINANCIAL RISK MANAGEMENT

Continued...

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are disclosed in the Balance Sheet and in the notes to the financial statements. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices

20. ECONOMIC SUPPORT

As can be seen at Note 11, the Company has significant borrowing facilities with its banker, being an overdraft of \$450,000 (with \$427,397 used at balance date). This is in light of:

- The negative net asset position in the balance sheet;
- The net current asset deficiency position and going concern assertion referred to in note 1(a); and
- The gearing ratio of 200% as per Note 14.

As a part of the facility agreement, the bank reviews the position of the company on a regular basis and has been in communication with management of the Company in relation to its financial performance and position. As at the date of signing this report, the Company has met all repayment schedules requested by the bank and they have formally confirmed that they will continue to provide this overdraft facility until 1 November 2013. There is no indication that the bank will call up its debt.

21. EVENTS AFTER THE REPORTING PERIOD

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature, in the opinion of the Directors of the Company to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

22. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Shoalhaven Community Financial Services Ltd
98 Kinghorn Street
Nowra NSW 2541

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Shoalhaven Community Financial Services Limited, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 27, are in accordance with the Corporations Act 2001:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors.



.....
Bruce Morton
Treasurer

Dated this 1st day of November 2012.

**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 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, notes comprising a summary of the significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Statements

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 (including the Australian Accounting Interpretations) 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. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Independence

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

Auditor's Opinion

In our opinion, the financial report of Shoalhaven Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

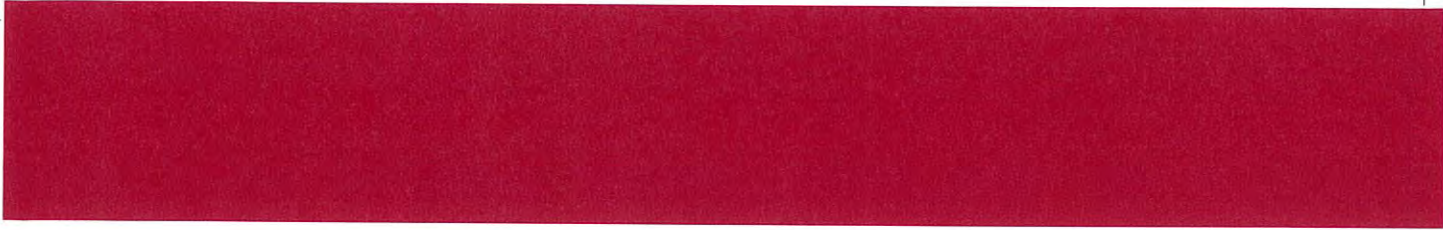
Daley & Co.

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Daley & Co
Chartered Accountants
98 Kembla Street
Wollongong NSW 2500

Michael Mundt
.....
Michael Mundt
Partner

Dated this 1st day of November 2012

Liability limited by a scheme approved under Professional Standards Legislation



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