

Shoalhaven Community Financial Services Ltd
ABN 77 128 253 065

Trading as

Nowra & District Community Bank
Branch of Bendigo & Adelaide Bank Ltd

Financial Report
For the year ended 30 June 2016

CHAIRMANS REPORT TO AGM – 20 OCTOBER 2016

It is my pleasure to present the 9th Annual Chairman's report for Shoalhaven Community Financial Services Limited.

There have been some changes to the Directors on the Board for the 2015/16 financial year. I would like to thank Simone Hunt for her support and diligence to the Board during her term as a Director. I would also like to thank Mike James who has stepped down as a Director due work commitments however maintain his relationship as a friend of the Board. I welcome to the Board Anna Finch and Paul Dean whose experience in HR and finance will be an asset to the Board.

The Board has established a Marketing Sub-Committee whose duty will be to formulate a clear policy on marketing and fundraising expenditure. The Finance & Audit Committee under the leadership of Paul Dean, will be looking at financial governance and our relationship with Bendigo Bank.

The Board have now also established a relationship with the Boards of Sanctuary Point, Milton and Sussex Inlet branches to enable joint marketing decisions and a collaborative approach to other issues concerning the branches. This will allow a better use of the marketing dollar and gain a wider understanding of the **Community Bank®** branches and what they represent. The collaborative marketing in conjunction with the Sanctuary Point, Milton and Sussex Inlet **Community Bank®** branches will give us greater exposure in the Shoalhaven.

I would like to extend my congratulations to our team at the branch for the continued support and passion for the concept of the **Community Bank®** model. William Browne transferred to Bendigo Bank Melbourne during the year and we welcome Shannon Hanson who has now been with us for six months and is proving to be a valued team member.

Our Manager Heather Darlington, continues to bring her banking expertise to the branch and her passion and enthusiasm creates a positive friendly working environment. This is supported from the positive feedback received from customers.

The branch customer base continues to grow despite the current financial and economic difficulties.

The following information details just some of the success the **Community Bank®** network Australia-wide have achieved.

- Over \$148 - million return to the community since the model's inception.
- Over 310 - **Community Bank®** branches
- Banking business - \$27 billion
- 1,946 - company Directors
- 699,133 customers

Our **Community Bank®** branch continues to support the community in the not-for-profit, sport and cultural areas. These investments once again have been possible as a result of the Marketing Development Fund (MDF). This is additional funding provided by Bendigo Bank and this is based on the level of business we hold at our branch. For every one million dollars on our books, we receive \$1,000 per year, up to a maximum of \$50,000. As we have over \$50 million on our books, we receive \$50,000 per year in MDF funding. To comply with our franchise agreement. MDF funds must be spent on business development, mainly sponsorship funding and marketing.

The major project for the year was in partnership with Sanctuary Point & Districts **Community Bank®** Branch and KidFiz to purchase a Paediatric Ambulance for the Shoalhaven and South Coast Region.

This is one of 12 specialist vehicles in NSW with demonstrates the importance of this community project. We are pleased to say that the ambulance arrived and was accepted into service on Saturday 6 August 2016.

To achieve profitability we need not only the support of the Board but all shareholders. We extend an invitation to all our shareholders to make us their bank of choice and we are confident that once you do, you will be able to assist with growing our customer base by spreading the word of what a great bank we are and of excellent customer service provided. We provide full banking services for both business and personal requirements with the added benefit of personal service and direct branch contact.

James Morris

Chairman

MANAGER'S REPORT TO AGM

Year ended 30 June 2016

The branch continues to reflect a steady growth in a difficult climate. Our customer numbers now stand at 2,076 which was a net growth of 131 for the financial year to 30 June 2016.

At a time when other financial institutions have closed in Nowra due to a reduction in customers' utilised face to face teller services, our teller transaction numbers for 2016 remained remain on par with 2015 year and it is noted that transactions in June 2016 were 111 higher than the same month last year.

Lending growth continues to be a difficult task in the current climate and with a number of loans repaid and customer concentration on debt reduction, our lending growth for the year was a negative \$2.585 million. However on a positive note, our growth in deposits and other products exceeded targets set with the end result being overall growth as at 30 June 2016 of \$10.625 million.

As a branch we continue to receive numerous compliments from happy customers and this attests to the service provided by our staff and their dedication to the **Community Bank®** brand.

I would like to share some of those comments with you, as an example of our customer satisfaction:

*March 2016: "I have used the Bendigo Bank for my business for more than 2 years now. We had a phone line EFTPOS machine and needed to change to the WIFI option. I made a call to the Merchant Services and within 1 week or so it was all moved over to WIFI. From the Nowra & District Community **Bank®** Branch to Merchant Services to KeyCorp (Kate) the whole process was very streamlined, easy and quick. I would just like to thank the Bendigo Bank for their EXCELLENT customer service provided to their customers. I am so proud to be a customer of the Bendigo Bank. Thank you so much."*

May 2016: "Just a quick note to offer my appreciation of the way Robyn has been helpful and patient over the past fortnight with assisting my elderly parents, Bruce & Barbara. It is reassuring to know that standard of care and interest is shown as part of customer service in our town."

June 2016: "Staff at the Nowra & District **Community Bank®** Branch are terrific!"

*November 2015: "The Staff at the Nowra **Community Bank®** Branch exceed all of my expectations with their excellent service. A special mention to Debra she goes above and beyond with her customer service. I recommend Bendigo bank to everyone I discuss finances with. Very personal service."*

Our business will continue to grow with the benefit of 'word of mouth' referrals from our customers and I would like to take this opportunity to extend an invitation to non-customers to visit our branch, meet the staff and discuss what we can do to assist with your banking requirements. Then once you are happy banking with us, spread the word and help us grow this business.

The current financial climate remains subdued, however concentration is very much on attracting new business to our branch and making sure our community is aware that we are a full service bank with the aim of being the bank of choice.

2016 is the first year since the branch opened in June 2012 that we have been able to show a net profit result and our efforts will continue to ensure continued growth for 2017 year.

Heather Darlington
Branch Manager

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Directors Report for 30 June 2016

Directors Report

The Directors present this report on the Company for the year ended 30 June 2016.

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

Directors

EMERY, Maria	President
TOBIN, John	Treasurer/Secretary (resigned October 2015)
GOKGUR, Pam	Director
FLINT, Andrew	Director
BROOKES, Gordon	Director (resigned September 2015)
HUNT, Simone	Director (joined July 2015 & resigned March 2016)
MORRIS, James	Director (joined October 2015)
DEAN, Paul	Director (joined July 2016)
FINCH, Anna	Director (joined July 2016)

Review of Operations

The net operating loss for the year after provision for income tax was \$8,522 (2015: loss of \$16,095).

Principal Activities

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

There were no significant changes to the nature of those activities during the year.

Proceedings on Behalf of Company

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

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 4 of the financial report.

Significant Changes

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

Directors' Benefits

Apart from those transactions detailed in Note 14, no other 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.

Dividends

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

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd Directors Report for 30 June 2016

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.

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 contracts for the year ended 30 June 2016 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 2016. 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.

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 years.

Likely Developments

There are currently no likely developments in the entity's operations in future financial years.

Environmental Regulations

The entity's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors		Meetings Attended
EMERY, Maria	President	8/13
TOBIN, John	Treasurer/Secretary (resigned October 2015)	2/5
GOKGUR, Pam	Director	13/13
FLINT, Andrew	Director	6/13
BROOKES, Gordon	Director (resigned September 2015)	0/1
HUNT, Simone	Director (joined July 2015 & resigned March 2016)	5/9
MORRIS, James	Director (joined October 2015)	8/8

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd Directors Report for 30 June 2016

Functional and presentation currency

The functional currency of the entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars.

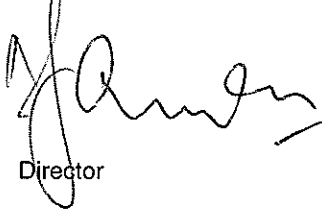
Authorised Shares

The total number of authorised shares in the entity is 844,400.

Company Secretary

Jane Fisher held the position of Company Secretary at the end of the financial year.

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



Director



Director

Dated this 20th day of September 2016, Nowra
21st



Integrated Financial Solutions

**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 2016, 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

Michael Mundt

Michael Mundt
Partner

Wollongong

20 September 2016

21/10/16

Nowra & District Community Bank Branch of Bendigo & Adelaide
Bank Ltd

Statement of profit or loss & other comprehensive income

For the year ended 30 June 2016

	<i>Note</i>	2016	2015
		\$	\$
<i>Revenue</i>	2	536,088	523,799
<i>Other income</i>	2	18,020	17,860
<i>Employee benefits</i>		(290,465)	(264,832)
<i>Depreciation & amortisation expenses</i>		(35,019)	(34,922)
<i>Rent & occupancy expenses</i>		(75,214)	(81,017)
<i>Interest expenses</i>		(17,233)	(17,748)
<i>Information technology expenses</i>		(21,626)	(21,927)
<i>Administration expenses</i>		(114,397)	(128,863)
<i>Other administration expenses</i>		(8,672)	(8,445)
Loss before income tax		(8,522)	(16,095)
Income tax expense	3	-	-
Profit/(loss) for the year		(8,522)	(16,095)
 Other comprehensive income			
<i>Other comprehensive income for the year</i>		-	-
Total comprehensive income for the year		-	-
Profit/(loss) attributable to the members of the Company		(8,522)	(16,095)

The statement of profit and loss and other comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 9 to 27.

Nowra & District Community Bank Branch of Bendigo &
 Adelaide Bank Ltd
 Statement of financial position
 As at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	5	514	469
Trade and other receivables	6	43,576	40,212
Other assets	7	5,924	7,488
Total current assets		<u>50,014</u>	<u>48,169</u>
Non-current assets			
Property, plant and equipment	8	86,398	106,282
Intangible assets	9	27,044	40,926
Total non-current assets		<u>113,442</u>	<u>147,208</u>
Total assets		<u>163,456</u>	<u>195,377</u>
Liabilities			
Current liabilities			
Trade and other payables	10	49,818	59,283
Borrowings – secured	11	373,655	360,974
Provisions	12	20,138	19,789
Total current liabilities		<u>443,611</u>	<u>440,046</u>
Non-current liabilities			
Trade and other payables	10	-	27,688
Provisions	12	7,820	7,096
Total non-current liabilities		<u>7,820</u>	<u>34,784</u>
Total liabilities		<u>451,431</u>	<u>474,830</u>
Net assets		<u>(287,975)</u>	<u>(279,453)</u>
Equity			
Contributed equity	13	844,400	844,400
Accumulated losses		(1,132,375)	(1,123,853)
Total equity		<u>(287,975)</u>	<u>(279,453)</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 27.

Nowra & District Community Bank Branch of Bendigo & Adelaide
Bank Ltd

Statement of changes in equity
For the year ended 30 June 2016

	Issued Capital	Accumulated Losses	Total
	\$	\$	\$
<i>Balance at 1 July, 2014</i>	844,400	(1,107,758)	(263,358)
<i>Loss for the year</i>	-	(16,095)	(16,095)
<i>Balance at 30 June, 2015</i>	844,400	(1,123,853)	(279,453)
 <i>Balance at 1 July, 2015</i>	 844,400	 (1,123,853)	 (279,453)
<i>Loss for the year</i>	-	(8,522)	(8,522)
<i>Balance at 30 June, 2016</i>	844,400	(1,132,375)	(287,975)

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 27.

Nowra & District Community Bank Branch of Bendigo
& Adelaide Bank Ltd
Statement of cash flows
For the year ended 30 June 2016

	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from operations	609,519	596,840
Payments to suppliers and employees	(603,669)	(556,971)
Cash generated from operations	5,850	39,869
Finance costs paid	(17,233)	(17,748)
Interest received	-	-
Net cash from operating activities	19(b) (11,383)	22,121
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,253)	-
Net cash from investing activities	(1,253)	-
Cash flows from financing activities		
Financing activities	-	-
Net cash from financing activities	-	-
Net increase in cash and cash equivalents	(12,636)	22,121
Cash and cash equivalents at 1 July	(360,505)	(382,626)
Cash and cash equivalents at 30 June	19(a) (373,141)	(360,505)

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 27.

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

1. Summary of significant accounting policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial statements, except for the 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 amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on XX September 2016 by the directors of the Company.

Accounting Policies

A. Revenue

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

B. Property, Plant and Equipment

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

Plant & equipment

The depreciable amount of all fixed assets, including buildings and capitalised leased assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use.

The depreciation rates used 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

B. Property, Plant and Equipment (cont.)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

C. Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

D. 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 period. 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 not been measured at the present value of the estimated future cash outflows to be made for those benefits.

E. Provisions

Provisions are recognised when the entity 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.

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

F. 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 statement of financial position.

G. Trade and Other Payables

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

H. 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 Taxation 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 cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

I. 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 as 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 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.

With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through a sale.

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

I. Income Tax (cont.)

When an investment property that is depreciable and is held by the Group in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

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) a legally enforceable right of set-off exists; and (b) 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.

J. Comparative Figures

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

K. Critical Accounting Estimates & Judgments

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

L. 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. Furthermore, current liabilities exceed current assets. This has come as a result of ongoing trading losses experienced since commencing business:

- \$10,256 in 2015/16
- \$16,095 in 2014/15; and
- \$7,714 in 2013/14

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 11). This allows the statutory financial report to be prepared on a going concern basis.

Whilst support has been provided, the overdraft continues to be utilised as part of the working capital of the Company, hence it is recorded as a current liability in the

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

L. Going Concern (cont.)

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

M. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

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

Amortised 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 amount with a consequential recognition of an income or expense item in profit or loss.

(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 amount 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.

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

M. Financial Instruments (cont.)

(iv) *Available-for-sale investments*

Available-for-sale investments 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 profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale 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 and 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 will be deemed to be impaired if, and only if, there is objective evidence of impairment as a result of the occurrence of one or more events (a "loss event"), which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or 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 into 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 undertaken all possible measures of recovery, if the 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 accounts.

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.

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

M. Financial Instruments (cont.)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire 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 discharged, cancelled or have expired. The difference between the carrying amount 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.

N. Impairment of Assets

At the end of each reporting period, the entity reviews the carrying amounts 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 amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

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

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

O. 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.

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 associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

P. New Accounting Standards for Application in Future Periods (cont.)

These Standards will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application of AASB 9 and associated Amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the Company elect to change its hedge accounting policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 10: *Consolidated Financial Statements*, AASB 11: *Joint Arrangements*, AASB 12: *Disclosure of Interests in Other Entities*, AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011–7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 10 replaces parts of AASB 127: *Consolidated and Separated Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities*. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Company's financial statements.

AASB 11 replaces AASB 131: *Interests in Joint Ventures* (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed). This Standard is not expected to significantly impact the Company's financial statements.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only but is not expected to significantly impact the Company's financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Company's financial statements.

AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2016).

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

P. New Accounting Standards for Application in Future Periods (cont.)

This Standard provides clarifying guidance relating to the offsetting of financial instruments and is not expected to significantly impact the Company's financial statements.

Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2016).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Company's financial statements.

AASB 2014-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2016).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Company's financial statements.

AASB 2014-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2016).

AASB 2014-4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Company's financial statements.

AASB 2014-5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2016).

AASB 2014-5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Company's financial statements.

AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

Nowra & District Community Bank Branch of Bendigo &
Adelaide Bank Ltd
Notes to the financial statements

2. Revenue & other income

	2016	2015
	\$	\$
Revenue		
Services and commission	536,088	523,799
		523,799
Other income		
Rent received	18,020	17,860
	18,020	17,860
	554,108	541,659

3. Income tax expense / (benefit)

	2016	2015
Prima facie tax payable on the result from ordinary activities before income tax at 30%	(3,077)	(5,033)
Tax losses not brought to account as deferred tax assets	3,077	5,033
Income tax expense / (benefit)	-	-
Deferred tax assets not brought to account	-	-
Revenue losses	362,725	352,468

4. Expenses

	2016	2015
Depreciation of property, plant and equipment	21,137	21,078
Amortisation of intangible assets	13,882	13,844
Finance costs	17,233	17,748
Superannuation payments	23,552	21,912
Rental expense on operating leases		
-Minimum lease payments	58,303	58,302

Audit services

Auditor's remuneration:

Audit and review of financial reports	8,100	11,400
Other regulatory audit services	-	-
	8,100	11,400

Nowra & District Community Bank Branch of Bendigo &
Adelaide Bank Ltd
Notes to the financial statements

5. Cash and cash equivalents

	2016 \$	2015 \$
Cash at bank and on hand	514	469
Cash and cash equivalents in the statement of cash flows	514	469

6. Trade and other receivables

	2016	2015
Other receivables	43,576	40,212
	43,576	40,212

(i) Credit risk – trade and other receivables

	Gross Amount	Past Due and Impaired	< 30	Past Due but Not Impaired (Days Overdue)			Within Initial Trade Terms
				31–60	61–90	> 90	
2016							
Other debtors	43,576	-	-	-	-	-	43,576
Total	43,576	-	-	-	-	-	43,576
2015							
Other debtors	40,212	-	-	-	-	-	40,212
Total	40,212	-	-	-	-	-	40,212

7. Other assets

	2016	2015
Prepayments	5,924	7,488
	5,924	7,488

8. Property, plant and equipment

	2016	2015
Plant & equipment		
At cost	18,818	18,818
Less: Accumulated depreciation	(17,418)	(16,667)
	1,400	2,151

Nowra & District Community Bank Branch of Bendigo &
Adelaide Bank Ltd
Notes to the financial statements

8. Property, plant and equipment (cont.)

	2016	2015
	\$	\$
Computer equipment		
At cost	14,593	14,593
Less: Accumulated depreciation	(14,593)	(14,593)
	-	-
Leasehold improvements		
At cost	283,318	282,065
Less: Accumulated depreciation	(198,320)	(177,934)
	84,998	104,131
TOTAL PROPERTY PLANT & EQUIPMENT	86,398	106,282

	Plant & equipment	Computer equipment	Leasehold improvements	Total
2015				
Balance at the beginning of the year	2,898	-	124,462	127,360
Additions at cost	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(747)	-	(20,331)	(21,078)
Carrying amount at the end of the year	2,151	-	104,131	106,282
2016				
Balance at the beginning of the year	2,151	-	104,131	106,282
Additions at cost	-	-	1,253	1,253
Disposals	-	-	-	-
Depreciation expense	(751)	-	(20,386)	(21,137)
Carrying amount at the end of the year	1,400	-	84,998	86,398

9. Intangible assets

	2016	2015
Franchise fee at cost	69,221	69,221
Less: Accumulated amortisation	(42,177)	(28,295)
	27,044	40,926

Additional information

As the franchise fee periods expire, it is considered that they have no ongoing value to the Company thus they are removed from the Company's intangible assets.

Nowra & District Community Bank Branch of Bendigo &
Adelaide Bank Ltd
Notes to the financial statements

9. Intangible assets (cont.)

(a) Movements in carrying amounts

Franchise fee

2015

Balance at the beginning of the year	54,770
Additions	-
Amortisation expense	(13,844)
	<u>40,926</u>

2016

Balance at the beginning of the year	40,926
Additions	-
Amortisation expense	(13,882)
	<u>27,044</u>

Intangible assets have a finite useful life. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

10. Trade and other payables

	2016 \$	2015 \$
CURRENT		
Trade and other payables	49,818	59,283
	<u>49,818</u>	<u>59,283</u>
NON CURRENT		
Trade and other payables	-	27,688
	<u>-</u>	<u>27,688</u>

11. Borrowings - secured

	2016	2015
Bank overdraft	373,655	360,974
	<u>373,655</u>	<u>360,974</u>

- (a) The overdraft facility is supplied by the Bendigo and Adelaide Bank Ltd. The facility has an approved limit of \$450,000 with a floating interest rate of 4.285% at 30 June 2016. Bendigo and Adelaide Bank Ltd have a Registered First Company Debenture charge from the Company.

Nowra & District Community Bank Branch of Bendigo &
Adelaide Bank Ltd
Notes to the financial statements

12. Provisions

	2016 \$	2015 \$
CURRENT		
Annual leave	20,138	19,789
	<u>20,138</u>	<u>19,789</u>
NON CURRENT		
Long service leave	7,820	7,096
	<u>7,820</u>	<u>7,096</u>

13. Issued capital

	2016	2015
844,400 ordinary shares fully paid of \$1 each	844,400	844,400
	<u>844,400</u>	<u>844,400</u>

14. Related party transactions

There were no related party transactions in the financial year.

Shares held by key management personnel

The number of ordinary shares in the Company during the 2016 reporting period held by each of the Company's Key Management Personnel, including their related parties, is set out below:

Personnel	Balance at the start of the year	Movements during the year	Balance at the end of the year
Maria Emery	1,000	-	1,000
John Tobin ¹	13,000	-	13,000

1 – resigned October 2015

None of the shares included in the table above are held nominally by key management personnel.

Nowra & District Community Bank Branch of Bendigo &
Adelaide Bank Ltd
Notes to the financial statements

15. Key Management Personnel

The Board of Directors are considered to be Key Management Personnel of the Company.

No compensation is paid or payable to Key Management Personnel of the Company in connection with the management of the Company.

16. Capital Management

Management controls the capital of the entity 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 manages the Company's capital by assessing the entity'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 years ended 30 June 2016 and 30 June 2015 are as follows:

	2016	2015
	\$	\$
Total borrowings, trade and other payables	425,207	447,945
Less cash on hand	(514)	(469)
Net debt	424,693	447,476
Total equity (retained surplus and reserves)	(289,709)	(279,453)
Total capital	134,984	168,023
Gearing ratio	315%	266%

17. Capital and leasing commitments

	2016	2015
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	58,302	58,302
– later than 12 months but not later than five years	32,911	91,213
	91,213	149,515

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 additional term of five years.

Nowra & District Community Bank Branch of Bendigo & Adelaide
Bank Ltd

Notes to the financial statements

18. Events after the reporting period

No matters or circumstances have arisen since the end of the financial year which 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 financial years.

19. Cash flow information

(a) Reconciliation of cash

	2016	2015
	\$	\$
Cash and cash equivalents	514	469
Borrowings	(373,655)	(360,974)
	<hr/> (373,141)	<hr/> (360,505)

(b) Reconciliation of cash flows from operating activities

	2016	2015
Cash flows from operating activities		
Profit for the period	(8,522)	(16,095)
Adjustments for:		
Depreciation and amortisation	35,019	34,922
Operating profit before changes in working capital and provisions	<hr/> 26,497	<hr/> 18,827
(Increase)/decrease in trade and other receivables	(3,364)	1,015
(Increase)/decrease in other assets	1,564	(5,451)
(Decrease)/increase in trade and other payables	(37,153)	10,873
(Decrease)/Increase in provisions	1,073	(3,143)
Net cash from operating activities	<hr/> (11,383)	<hr/> 22,121

Nowra & District Community Bank Branch of Bendigo & Adelaide
Bank Ltd
Notes to the financial statements

20. Financial risk management

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

The carrying amounts 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:

	Note	2016 \$	2015 \$
Financial assets			
Cash and cash equivalents	5	514	469
Trade and other receivables	6	43,576	40,212
Total financial assets		44,090	40,681
Financial liabilities			
Financial liabilities at amortised cost:			
– Trade and other payables	10	49,818	86,971
– Borrowings	11	373,655	360,974
Total financial liabilities		423,473	447,945

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 risk.

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 exposures as its 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 statement of financial position.

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

The Company has no significant concentrations 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.

Nowra & District Community Bank Branch of Bendigo & Adelaide
Bank Ltd
Notes to the financial statements

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 table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Financial liabilities due for payment								
Trade and other payables	49,818	59,283	-	27,688	-	-	49,818	86,971
Borrowings	373,655	360,974	-	-	-	-	373,655	360,974
Total financial liabilities	423,473	420,257	-	27,688	-	-	423,473	447,945

c. **Market risk**

(i) *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 exposures to changes in interest rates and equity prices. 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

	Profit	Equity
Year ended 30 June 2016		
1% increase interest rates	(3,737)	(3,737)
1% decrease in interest rates	3,737	3,737
Year ended 30 June 2015		
1% increase interest rates	(3,610)	(3,610)
1% decrease in interest rates	3,610	3,610

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Notes to the financial statements

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Company. Most of these instruments, which are carried at amortised cost (ie accounts receivables, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Company.

21. Economic support

As can be seen in Note 11, the Company has significant borrowing facilities with its banker, being an overdraft of \$450,000 (with \$373,655 used at balance date). This is in light of:

- The negative asset position in the statement of financial position
- The net current asset deficiency position and going concern assertion referred to in Note 1(L); and
- The gearing ratio of 315% in Note 16

As 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.

22. Company details

The company is limited by shares and was incorporated in Australia.

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

98 Kinghorne Street
Nowra NSW 2541

Nowra & District Community Bank Branch of Bendigo & Adelaide Bank Ltd

Directors' Declaration

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 4 to 27, are in accordance with the *Corporations Act 2001* and:

- a. comply with Accounting Standards; and
- b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Company and consolidated Company.

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 a resolution of the Board of Directors.



Director



Director
Nowra, 20th September 2016
21/5

Independent Audit Report to the members of Shoalhaven Community Financial Services Limited**Report on the Financial Report**

We have audited the accompanying financial report of Shoalhaven Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other 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 gives a true and fair view and 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 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 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.



Integrated Financial Solutions

Independent Audit Report to the members of Shoalhaven Community Financial Services Limited (Continued...)

Independence

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

Opinion

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(L) in the financial report which, among other matters, indicates that the Company is in a net asset and net current asset deficiency position as at balance date. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore whether the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

Daley & Co.

Daley & Co
Chartered Accountants

Michael Myndt

Michael Myndt
Partner

Wollongong

~~20~~ September 2016

21 Mm

Liability limited by a scheme approved under Professional Standards Legislation.