

annual report 2010

Edenhope & District Financial
Services Limited
ABN 68 103 869 227

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

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Chairman's report

For year ending 30 June 2010

Welcome to the seventh Annual Report, another pleasing year for growth, showing the support of this community for our branch.

Staff

Luke, Kelly, Margie, Kym and Mary have shown strong commitment in growing the business through their customer service.

Through the year we have seen Mary shift to a full time banking role in Naracoorte. Kym's decision to leave us after three years as a permanent part-timer came before we were able to fill Mary's role. This then allowed us to revise this staff situation. We then offered a full time position and with great delight welcomed Mary back to our branch.

A big thank-you to Kelly and Margie for their commitment and professional approach while we were understaffed.

Luke, our Manager, has played a huge role this year, as well as growing the business, he has done a lot of work for the Board in a secretarial role prior to Vlada taking over.

Business

A very positive year for growth, with agribusiness being the star performer. Our Agribusiness Manager, Damian Bryan, along with Steve Wood and Luke, have done an excellent job. They have shown us how important agriculture is to the future of our business.

Financial planning has also been very positive, and along with insurance, has helped in growing the business.

As a farmer in this area, I see a positive future for agriculture, with all commodities performing well, along with good seasonal outlooks. This puts the district in a very strong economic climate, which can only be a positive for our **Community Bank**[®] branch.

Our partner Bendigo and Adelaide Bank Ltd

A big thanks to all at Bendigo and Adelaide Bank Ltd, led by Simon Cornwell. The Board and myself are all very thankful for the knowledge and support we receive.

Board

This year has seen the retirement of two very experienced members, Secretary, Alison Leishman and Treasurer, Julie West. Alison has been with us from the start. Her banking background and secretarial skills have been a vital link in our achievements. I personally thank Alison for her commitment over the time. Julie took over from her father Don, as Treasurer, and her knowledge and experience have been of great benefit to the Board; thanks again Julie.

Chairman's report continued

One door closes and another opens, Vlada Gajic came onto the Board and offered to become the Secretary. Vlada's experience and enthusiasm is a welcome asset to the Board. The Treasurer's role has been very ably taken on by Board member Kate Hausler. We also welcomed Gloria Freeman to the Board.

Shareholders

Without the commitment of you, the shareholders, we would not be here today. The patient support that we have been given is very appreciated by the Board and staff. This is an important measure of your commitment to the positive future this area has.

Thanks

I would like to take this opportunity to thank the community for their support and understanding in the role I have as Chairman of Edenhope & District Financial Services Limited.



Wayne Caldwell
Chairman

Manager's report

For year ending 30 June 2010

Welcome to the seventh Annual Report for Edenhope and District Financial Services and my third Manager's report.

The past financial year showed a growth in total business of \$2.25 million. Total business as at 30/06/2010 was \$34,024.

Our income levels continue to grow. In comparison to the previous financial year, income increased by 17%, or \$51,645. This is a huge result compared to our expenses which have decreased by 1.3%, or \$4,929. This can be attributed to a decrease in franchise renewal fees and some excellent cost controlling measures.

I would like to take this opportunity to formally thank our staff, Margie Reid, Mary Staben, Kelly McLeay and Kym Cameron and for their efforts over this period. Due to some staff turnover we now have a fresh, vibrant team on board that I am really excited about working with to achieve our goals this financial year. By the time I present my report at our AGM in November our staffing at the branch will have changed significantly with Mary Staben being our full time Senior Customer Service Officer and Margie Reid and Wendy Garton our part time Customer Service Officers.

I also must thank our Board of Directors for their continued support, time and dedication that they put towards the running of our **Community Bank**[®] branch. I especially thank the Board members who have been involved for over 7 years and who I'm sure are pleased to see some profits coming through on the books. I also welcome Gloria Freeman as a Director and Vlada Gajic as our Secretary.

The team at Ballarat State Support Office (Bendigo and Adelaide Bank Ltd) continues to be a huge resource and support to both our staff and our Board. I would like to extend a big thank you to Simon, Donna, Lindsay, Geoff, Leanne, Andrew, Debbie and Val for their guidance and assistance over this period. Further to this I would also like to thank our Financial Planners, Alison Butler and Darren Pryor and our Agribusiness team of Damian Bryan and Steve Wood for their ongoing support.

While the financial reports show a net loss after tax of \$30,712, we have had five months out of the past twelve where we have produced positive cash results. This is an extremely encouraging sign for all shareholders as they can see that the branch is beginning to make money on a cash basis, and further to that, we made a profit on the financial accounts of \$331 in June 2010 which is something we have never achieved before.

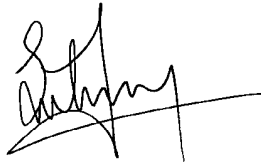
To date, the Edenhope & District **Community Bank**[®] Branch has contributed over \$35,000 to 35 community groups and/or individuals. While this is a fantastic effort, I cannot stress enough that this is merely a hint of our potential and that the more business we get, the more funds we can give back to the local communities.

Manager's report continued

Our main focus over the coming twelve months will be:

- Increased presence and growth in the local Agribusiness industry
- Increased focus on our shareholders – servicing our existing shareholders who bank with us and targeting our shareholders who still do not hold any banking relationship with our **Community Bank**[®] branch
- Engaging the community and working with community groups to identify sponsorship opportunities.

Support your **Community Bank**[®] branch and together we can support our community.

A handwritten signature in black ink, appearing to read 'Luke Riley', with a long horizontal stroke extending to the right.

Luke Riley

Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Wayne David Caldwell

Chairman

Occupation - Farmer

Luke Simon Munro

Director

Occupation - Business Proprietor

Ashley Rohan Caldwell

Director

Occupation - Farmer

Austin David Grigg

Director

Occupation - Shearing Contractor/Farmer

Gloria Freeman

Director

Occupation - Teacher

Alison Margaret Leishman (resigned 25 November 2009)

Company Secretary

Occupation - Administration Manager

Stephen Edmund Ryan

Director

Occupation - Business Proprietor

Kathryn Elizabeth Hausler

Director

Occupation - Farmer

Julie West (resigned 29 January 2010)

Director

Occupation - Accountant

Vlada Gajic (appointed 3 February 2010)

Director

Occupation - IT Consultant

Directors were in office for the entire year unless otherwise stated.

Other than detailed below no Directors have material interests in contracts or proposed contracts with the Company.

During the year ended 30 June 2010 fees of \$9,830 (2009: \$7,940) were paid to West Currie Consultants for accounting services. Julie West is the Principal of West Currie Consultants.

Total rental for the year ended 30 June 2010 of \$11,011 (2009: \$11,011) was paid for the property located at 63 Elizabeth Street, Edenhope. Directors, Wayne Caldwell and Austin Grigg, each own a 10% share of 63 Elizabeth Street.

All of the above Director related transactions were on normal commercial terms and conditions.

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

There has been no significant changes in the nature of these activities during the year.

Directors' report continued

Operating results

The loss of the Company for the financial year after provision for income tax was \$30,712 (2009: \$68,599).

Dividends

The Directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Significant events after the balance date

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

Likely developments

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

Directors' benefits

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

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Corporate Governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Kate Hausler Vlada Gajic and Luke Riley (Bank Manager);
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Company Secretary

Vlada Gajic was appointed Company Secretary in February 2010. She is a Director of an Information Technology and Telecommunications (IT&T) consultancy Company Gumlea IT Solutions. Vlada's qualifications include 17 years experience in the IT&T field working with local, national and international companies. Vlada has worked in managerial positions servicing customers like Rio Tinto, BHP and QBE Insurance.

Directors' meetings

The number of Directors' meetings attended during the year were:

| Director | Board meetings # | Audit committee meetings # |
|--|------------------|----------------------------|
| Wayne David Caldow | 11 (11) | N/A |
| Alison Margaret Leishman (resigned 25 November 2009) | 5 (5) | 5 (5) |
| Luke Simon Munro | 3 (11) | N/A |
| Stephen Edmund Ryan | 3 (11) | N/A |
| Ashley Rohan Caldow | 10 (11) | N/A |
| Kathryn Elizabeth Hausler | 9 (11) | 5 (6) |
| Austin David Grigg | 7 (11) | N/A |
| Julie West (resigned 29 January 2010) | 5 (5) | 5 (5) |
| Gloria Freeman | 9 (11) | N/A |
| Vlada Gajic (appointed 3 February 2010) | 6 (6) | 6 (6) |

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that committee.

Directors' report continued

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

16 September 2010

The Directors
Edenhope & District Financial Services Limited
63 Elizabeth Street
EDENHOPE VIC 3318

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Edenhope & District Financial Services Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Edenhope, Victoria on 16 September 2010.

Wayne David Caldwell
Chairman

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|---|------|-----------------|-----------------|
| Revenues from ordinary activities | 2 | 326,455 | 274,810 |
| Employee benefits expense | 3 | (202,049) | (186,749) |
| Charitable donations and sponsorship | | (2,455) | (8,421) |
| Depreciation and amortisation expense | 3 | (4,524) | (4,635) |
| Finance costs | 3 | (35,325) | (37,542) |
| Other expenses from ordinary activities | | (124,674) | (136,609) |
| Loss before income tax expense | | (42,572) | (99,146) |
| Income tax benefit / (expense) | 4 | 11,860 | 30,547 |
| Loss after income tax expense | | (30,712) | (68,599) |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (30,712) | (68,599) |
| Earnings per share (cents per share) | | | |
| - basic for loss for the year | 22 | (6.45) | (14.41) |
| - diluted for loss for the year | 22 | (6.45) | (14.41) |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|--------------------------------------|------|------------------|------------------|
| Current assets | | | |
| Receivables | 7 | 27,929 | 25,555 |
| Total current assets | | 27,929 | 25,555 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 39,140 | 15,769 |
| Deferred tax asset | 4 | 257,627 | 245,767 |
| Intangible assets | 9 | - | - |
| Total non-current assets | | 296,767 | 261,536 |
| Total assets | | 324,696 | 287,091 |
| Current liabilities | | | |
| Bank overdraft | 6 | 77,506 | 407,285 |
| Payables | 10 | 22,372 | 23,548 |
| Provisions | 11 | 11,423 | 8,386 |
| Loans and borrowings | 12 | 3,765 | 3,765 |
| Total current liabilities | | 115,066 | 442,984 |
| Non-current liabilities | | | |
| Loans and borrowings | 12 | 404,080 | 7,845 |
| Total non-current liabilities | | 404,080 | 7,845 |
| Total liabilities | | 519,146 | 450,829 |
| Net assets / (liabilities) | | (194,450) | (163,738) |
| Equity | | | |
| Share capital | 13 | 476,160 | 476,160 |
| Accumulated losses | 14 | (670,610) | (639,898) |
| Total equity | | (194,450) | (163,738) |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|---|------------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 354,991 | 297,634 |
| Cash payments in the course of operations | | (358,227) | (362,229) |
| Interest paid | | (35,325) | (37,542) |
| Net cash flows from/(used in) operating activities | 15b | (38,561) | (102,137) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (27,895) | (17,665) |
| Net cash flows from/(used in) investing activities | | (27,895) | (17,665) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 396,235 | 11,610 |
| Net cash flows from/(used in) financing activities | | 396,235 | 11,610 |
| Net increase/(decrease) in cash held | | 329,779 | (108,192) |
| Cash and cash equivalents at start of year | | (407,285) | (299,093) |
| Cash and cash equivalents at end of year | 15a | (77,506) | (407,285) |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

| | Note | 2010 \$ | 2009 \$ |
|---|------|------------------|------------------|
| Share capital | | | |
| Balance at start of year | | 476,160 | 476,160 |
| Issue of share capital | | - | - |
| Share issue costs | | - | - |
| Balance at end of year | | 476,160 | 476,160 |
| Retained earnings / (accumulated losses) | | | |
| Balance at start of year | | (639,898) | (571,299) |
| Loss after income tax | | (30,712) | (68,599) |
| Dividends paid | 20 | - | - |
| Balance at end of year | | (670,610) | (639,898) |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Edenhope & District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 16 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

| Class of asset | Depreciation rate |
|------------------------|--------------------------|
| Leasehold improvements | 20% |
| Plant & equipment | 7.5 - 20% |

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Goods and services tax (continued)

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee benefits

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

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

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

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

Comparative figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Loans and borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
|--|------------|------------|

Note 2. Revenue from ordinary activities

Operating activities

| | | |
|--|----------------|----------------|
| - services commissions and fee income | 326,295 | 274,810 |
| - other revenue | 160 | - |
| Total revenue from operating activities | 326,455 | 274,810 |
| Non-operating activities: | | |
| - interest received | - | - |
| - other revenue | - | - |
| Total revenue from non-operating activities | - | - |
| Total revenue from ordinary activities | 326,455 | 274,810 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|-----------------|-----------------|
| Note 3. Expenses | | |
| Employee benefits expense | | |
| - wages and salaries | 174,484 | 160,658 |
| - superannuation costs | 15,098 | 14,491 |
| - workers' compensation costs | 484 | 534 |
| - other costs | 11,983 | 11,066 |
| | 202,049 | 186,749 |
| Depreciation of non-current assets: | | |
| - plant and equipment | 4,524 | 4,635 |
| - leasehold improvements | - | - |
| Amortisation of non-current assets: | | |
| - intangibles | - | - |
| | 4,524 | 4,635 |
| Finance costs: | | |
| - Interest paid | 35,325 | 37,542 |
| Bad debts | 352 | 33 |
| Note 4. Income tax expense | | |
| The prima facie tax on loss before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax on loss before income tax at 30% | (12,772) | (29,744) |
| Add tax effect of: | | |
| - Non-deductible expenses | 912 | (803) |
| Current income tax (benefit) / expense | (11,860) | (30,547) |
| Income tax (benefit) / expense | (11,860) | (30,547) |
| Deferred tax assets | | |
| Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable | | |
| | 257,627 | 245,767 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
|--|------------|------------|

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

| | | |
|--|--------------|--------------|
| - Audit or review of the financial report of the Company | 3,900 | 3,650 |
| - Share registry services | 1,569 | 1,800 |
| | 5,469 | 5,450 |

Note 6. Cash and cash equivalents

Cash at bank and on hand / (bank overdraft) **(77,506)** **(407,285)**

Note 7. Receivables & prepayments

| | | |
|--|---------------|---------------|
| Debtor - Bendigo and Adelaide Bank Ltd | 25,014 | 23,203 |
| GST refundable | 798 | - |
| Prepayments | 2,117 | 2,352 |
| | 27,929 | 25,555 |

Note 8. Property, plant and equipment

Leasehold improvements

| | | |
|-------------------------------|----------|----------|
| At cost | 29,330 | 29,330 |
| Less accumulated depreciation | (29,330) | (29,330) |
| | - | - |

Plant and equipment

| | | |
|----------------------------------|---------------|---------------|
| At cost | 69,915 | 42,021 |
| Less accumulated depreciation | (30,775) | (26,252) |
| | 39,140 | 15,769 |
| Total written down amount | 39,140 | 15,769 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|---|---------------|---------------|
| Note 8. Property, plant and equipment (continued) | | |
| Movements in carrying amounts | | |
| Leasehold improvements | | |
| Carrying amount at beginning of year | - | - |
| Additions | - | - |
| Disposals | - | - |
| Amortisation expense | - | - |
| Carrying amount at end of year | - | - |
| Plant and equipment | | |
| Carrying amount at beginning of year | 15,769 | 2,739 |
| Additions | 27,895 | 17,665 |
| Disposals | - | - |
| Depreciation expense | (4,524) | (4,635) |
| Carrying amount at end of year | 39,140 | 15,769 |

Note 9. Intangible assets

| | | |
|-------------------------------|----------|----------|
| Franchise fee | | |
| At cost | 60,000 | 60,000 |
| Less accumulated amortisation | (60,000) | (60,000) |
| | - | - |
| Preliminary expenses | | |
| At cost | 80,541 | 80,541 |
| Less accumulated amortisation | (80,541) | (80,541) |
| | - | - |
| | - | - |

Notes to the financial statements continued

| | 2010 | 2009 |
|------------------------------|---------------|---------------|
| | \$ | \$ |
| Note 10. Payables | | |
| Trade creditors | 8,210 | 2,016 |
| Other creditors and accruals | 14,162 | 21,532 |
| | 22,372 | 23,548 |

Note 11. Provisions

| | | |
|-------------------|--------|-------|
| Employee benefits | 11,423 | 8,386 |
|-------------------|--------|-------|

Note 12. Loans and borrowings

Current

| | | |
|------------------------|--------------|--------------|
| Lease liability | 3,765 | 3,765 |
|------------------------|--------------|--------------|

Non-current

| | | |
|-----------------|----------------|--------------|
| Term Loan | 400,000 | - |
| Lease liability | 4,080 | 7,845 |
| | 404,080 | 7,845 |

Note 13. Share capital

| | | |
|---|----------------|----------------|
| 476,160 Ordinary shares fully paid of \$1 each | 476,160 | 476,160 |
|---|----------------|----------------|

Note 14. Accumulated losses

| | | |
|---|------------------|------------------|
| Balance at the beginning of the financial year | (639,898) | (571,299) |
| Loss after income tax | (30,712) | (68,599) |
| Dividends | - | - |
| Balance at the end of the financial year | (670,610) | (639,898) |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|-----------------|------------------|
| Note 15. Statement of cash flows | | |
| (a) Cash and cash equivalents | | |
| Cash assets / (bank overdraft) | (77,506) | (407,285) |
| (b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities | | |
| Loss after income tax | (30,712) | (68,599) |
| Non cash items | | |
| - Depreciation | 4,524 | 4,635 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (2,374) | (7,010) |
| - Increase (decrease) in payables | (1,176) | 2,062 |
| - Increase (decrease) in provisions | 3,037 | (2,678) |
| - (Increase) decrease in deferred tax asset | (11,860) | (30,547) |
| Net cash flows from/(used in) operating activities | (38,561) | (102,137) |

Note 16. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Wayne David Caldwell

Alison Margaret Leishman (resigned 25 November 2009)

Luke Simon Munro

Stephen Edmund Ryan

Ashley Rohan Caldwell

Kathryn Elizabeth Hausler

Austin David Grigg

Julie West (resigned 29 January 2010)

Gloria Freeman

Vlada Gajic (appointed 3 February 2010)

Other than detailed below no Director or related entity has entered into a material contract with the Company.

No Directors' fees have been paid as the positions are held on a voluntary basis.

During the year ended 30 June 2010 fees of \$9,830 (2009: \$7,940) were paid to West Currie Consultants for accounting services. Julie West is the Principal of West Currie Consultants.

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Total rental for the year ended 30 June 2010 of \$11,011 (2009: \$11,011) was paid for the property located at 63 Elizabeth Street, Edenhope. Directors, Wayne Caldow and Austin Grigg, each own a 10% share of 63 Elizabeth Street.

All of the above Director related transactions were on normal commercial terms and conditions.

| Directors' shareholdings | 2010 | 2009 |
|--|-------------|-------------|
| Wayne David Caldow | 1,101 | 1,101 |
| Alison Margaret Leishman (resigned 25 November 2009) | 2,001 | 2,001 |
| Luke Simon Munro | 3,001 | 3,001 |
| Stephen Edmund Ryan | 2,401 | 2,401 |
| Ashley Rohan Caldow | 3,001 | 3,001 |
| Kathryn Elizabeth Hausler | 1,000 | 1,000 |
| Austin David Grigg | 2,001 | 2,001 |
| Julie West (resigned 29 January 2010) | 1,000 | 1,000 |
| Gloria Freeman | 1,000 | 1,000 |
| Vlada Gajic (appointed 3 February 2010) | - | - |

There was no movement in shares held during the year. Each share held has a paid up value of \$1 and is fully paid.

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Edenhope, Victoria.

Note 20. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the year.

Notes to the financial statements continued

Note 21. Corporate information

Edenhope & District Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

63 Elizabeth Street,
Edenhope VIC 3318.

| 2010 | 2009 |
|------|------|
| \$ | \$ |

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | | |
|--|-----------------|-----------------|
| Loss after income tax expense | (30,712) | (68,599) |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 476,160 | 476,160 |

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

| | Carrying amount | |
|-------------|-----------------|------------|
| | 2010 \$ | 2009 \$ |
| Receivables | 25,812 | 23,203 |
| | 25,812 | 23,203 |

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company has an established overdraft facility of \$100,000 with Bendigo and Adelaide Bank Ltd.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

| | Carrying amount \$ | Contractual cash flows \$ | 1 year or less \$ | Over 1 to 5 years \$ | More than 5 years \$ |
|----------------------|--------------------------|---------------------------------|-------------------------|----------------------------|----------------------------|
| 30 June 2010 | | | | | |
| Payables | 22,372 | (22,372) | (22,372) | - | - |
| Bank overdraft | 77,506 | (77,506) | (77,506) | - | - |
| Loans and borrowings | 407,845 | (447,426) | (34,878) | (412,548) | - |
| | 507,723 | (547,304) | (134,756) | (412,548) | - |

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

| | Carrying amount \$ | Contractual cash flows \$ | 1 year or less \$ | Over 1 to 5 years \$ | More than 5 years \$ |
|----------------------|-----------------------|------------------------------|----------------------|-------------------------|-------------------------|
| 30 June 2009 | | | | | |
| Payables | 23,548 | (23,548) | (23,548) | - | - |
| Bank overdraft | 407,285 | (407,285) | (407,285) | - | - |
| Loans and borrowings | 11,610 | (13,932) | (4,518) | (9,414) | - |
| | 442,443 | (444,765) | (435,351) | (9,414) | - |

* The bank overdraft is held with Bendigo and Adelaide Bank Ltd and has no set repayment terms. As such the principal outstanding has been shown as payable within one year and no allowance has been made for interest costs. The interest rate as at 30 June 2010 was 6.49% (30 June 2009: 9.64%).

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

| | Carrying amount | |
|----------------------------------|------------------|------------------|
| | 2010 \$ | 2009 \$ |
| Fixed rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | (407,845) | (11,610) |
| | (407,845) | (11,610) |
| Variable rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | (77,506) | (407,285) |
| | (77,506) | (407,285) |

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

There were no changes in the Company's approach to capital management during the year.

Directors' declaration

In accordance with a resolution of the Directors of Edenhope & District Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Wayne David Caldwell
Chairman

Signed at Edenhope on 16 September 2010.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF EDENHOPE & DISTRICT FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Edenhope & District Financial Services Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Edenhope & District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants

W. J. Sinnott

W. J. SINNOTT

Partner
Bendigo

Date: 16 September 2010

Edenhope & District **Community Bank**[®] Branch
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Phone: (03) 5585 1822

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63 Elizabeth Street, Edenhope VIC 3318
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The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10077) (09/10)