

Edenhope & District
Financial Services Limited

ABN 68 103 869 227

annual report 2011

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

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Chairman's report

For year ending 30 June 2011

Welcome everyone to the eighth annual report of Edenhope & District Financial Services. This is the report we all have been waiting for, our first monthly profits are showing.

Staff

Our staff have been well led by our Manager, Luke Riley. Luke's passion for the business is very much appreciated by the Board and his professionalism and approach are the key to our growth.

Margie Reid's service and loyalty to the branch has her known now as the backbone of our customer service. We have seen several changes in our staff this past year with Kym Cameron and Kelly McLeay leaving us. Kelly, our full time Customer Service Officer had been with us for a few years and I thank Kelly very much for her commitment to the branch.

As staff leave it gives someone else an opportunity, this time we were very fortunate to get Mary Staben back, this time as our full time Customer Service Officer. Mary is a very talented Customer Service Officer, the customers were thrilled to see Mary back. Unfortunately for us Mary left us in July for an opportunity in NSW that Mary and Ben could not refuse, we wish them all the best.

Then a new round of applicants produced us very good results. Something I have dreamed of is giving a young person the career opportunity that the **Community Bank**[®] branch has to offer.

So with pleasure we have employed Shayne Williams, Shayne is showing great prospects. Brett McDonald also joined us as our full time Customer Service Officer, Brett has taken the opportunity to make a complete career change and we welcome Brett to the branch.

I am very proud of our staff and I am confident they will take us to bigger and better business.

Business

Over the course of the year we have had approximately \$3.6 million in growth, started to break even and made our first monthly profit. This is a great feeling for us, especially as now we are regularly returning monthly profits.

With a balance at 30 June of \$37.644 million and as I write this report at the third week of August we are nudging \$40 million.

It is now a very solid business position and growing, so as Chairman it makes the last eight years all worthwhile.

Bendigo and Adelaide Bank Ltd – Our partner

The support our staff and Board receive from Bendigo and Adelaide Bank Ltd is of the highest standard. Regional Manager Simon Cornwell and staff do a lot of work behind the scene to train and support staff, also the support to the Board is of immense help.

Rural Bank Area Manager Damian Bryan is a huge asset to our local business. The agri-sector has become our major growth sector.

Sam Neale our Financial Planner has built on our business very well also, this is an important part of life today. We are very lucky to have such a young vibrant person in this role.

Chairman's report continued

Board

Thanks to the Board for support. Vlada as Secretary and Kate as Treasurer have done a very good job. Thanks to West Currie Accountants, Suzie Cranage and staff for their expertise.

Shareholders

Without the shareholders support we would not be here today. Thankyou for your patience, as no dividends have been paid out. With the business now in profit it is getting closer. Our accrued operating debt has to be reduced before dividends can happen.

As a Board we do not know who banks with us, but it disappoints us to hear from the Manager that approximately only 50% of shareholders bank with us.

A big thanks to our customers and supporters that with their business have grown our **Community Bank**[®] branch so we can grow this great community of Edenhope and the wider area.

In the time we have been going, we have contributed \$36,000 to the community in the district. This is something I am very proud of and is the main reason for being part of this great concept.

As I write this we hope to seal a huge gift to a major project in the area. I hope this will help people understand why they should be banking with us, and make our customers and shareholders extremely proud to be part of.

I would like to thank everyone who gives me the strength and support to continue to lead this great institution in this area.



Wayne Caldwell
Chairman

Manager's report

For year ending 30 June 2011

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

The past financial year showed a growth in total business of \$3.62 million. Total business as at 30 June 2011 was \$37.64 million.

Our income levels continue to grow. In comparison to the previous financial year, income increased by 13%, or \$42,509. This is a huge result compared to our expenses which have only increased by 2%, or \$6,277. Income growth is purely due to continual growth in total business footings and expense growth is kept to a minimum with excellent cost controlling measures in place.

Due to some staff turnover we now have a very solid and well balanced team on board that I am really excited about working with to achieve our goals this financial year. I would like to take this opportunity to formally thank Margie Reid and Mary Staben for their professionalism, excellent customer service and teamwork over the past financial year. I would also like to welcome Shayne Williams (part time Customer Service Officer) and Brett McDonald (full time Customer Service Officer) to our team.

I would also like to thank our Board of Directors for their continued support, time and dedication that they put towards the running of our **Community Bank**[®] branch. In particular our Chairman Wayne Caldwell, Secretary Vlada Gajic and Treasurer Kate Hausler. I also welcome Fred Carberry to our Board as a Director.

The team at Ballarat State Support Office (Bendigo and Adelaide Bank Ltd) continue 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 Cornwell and his team for their assistance over this past 12 months. Further to this I would also like to thank our Financial Planners, Sam Neale and Darren Pryor and our agribusiness team of Damian Bryan and Steve Wood for their ongoing support.

While the financial reports show a net operating loss \$6,340, there has been a significant turnaround in our figures over this 12 month period. From 1 July to 31 December 2010 we returned a net operating loss of \$12,057. From 1 January to 30 June 2011 we returned a net operating profit of \$5,736. Eight out of the past 12 months have returned net profits and five out of the last six months have returned net profits.

In terms of actual cash profits (taking out any non cash income or expenses) for the past financial year, we returned a cash profit of \$4,897. This was \$22,598 better than our budget/target which predicted a cash loss of \$17,701.

To date the Edenhope & District **Community Bank**[®] Branch has contributed over \$36,000 to 35 community groups and/or individuals. While this is a fantastic effort, again I 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. I must point out that this \$36,000 has come from a Market Development Fund that Bendigo and Adelaide Bank Ltd pays us each month depending on the total balance of business we have generated. This fund is specifically paid to **Community Bank**[®] branches when they reach a certain amount of banking business, to use for sponsorships, donations, marketing and advertising and does not affect our ability to pay dividends to shareholders.

Rupanyup/Minyip **Community Bank**[®] Branch have contributed more than \$500,000 back to their local communities. They have done this purely based on the size of their business portfolio thanks to strong shareholder and community support. While we currently have approximately 50% of our shareholders

Manager's report continued

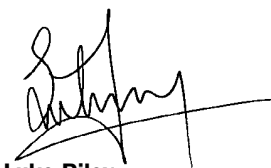
banking with us, this level of community investment will not be possible. An increase in shareholder banking would significantly increase our community investment and ultimately would make dividend payments to our shareholders achievable.

It is therefore timely that I sincerely thank our shareholders who are currently banking with us. I invite any shareholders who are not banking with us to come into our branch and talk to us about how we can assist you with your banking facilities and in turn how your business will contribute to funding important infrastructure, events and community groups within our district.

Our main focuses over the coming 12 months are:

- An exciting six figure sponsorship announcement that will benefit our entire district
- Continued growth in the local agribusiness industry
- Increased focus on our shareholders – continual servicing our existing shareholders that bank with us and targeting our shareholders that 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.



Luke Riley

Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

Directors

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

Wayne David Caldow

Chairman
Occupation - Farmer

Luke Simon Munro

Director
Occupation - Business Proprietor

Ashley Rohan Caldow

Director
Occupation - Farmer

Austin David Grigg

Director
Occupation - Shearing Contractor/Farmer

Vlada Gajic

Director
Occupation - IT Consultant

Stephen Edmund Ryan

Director
Occupation - Business Proprietor

Kathryn Elizabeth Hausler

Director
Occupation - Farmer

Gloria Freeman

Director
Occupation - Teacher

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.

Total rental for the year ended 30 June 2011 of \$11,011 (2010: \$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.

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.

Review of operations

The loss of the Company for the financial year after provision for income tax was \$6,679 (2010: \$30,712).

Directors' report continued

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.

Remuneration report

Other than stated 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.

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, Wayne Caldow 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.

Directors' report continued

Company Secretary

Vlada Gajic was appointed Company Secretary in February 2010. He 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 | 12 (12) | 12 (12) |
| Vlada Gajic | 10 (12) | 10 (12) |
| Luke Simon Munro | 7 (12) | N/A |
| Stephen Edmund Ryan | 7 (12) | N/A |
| Ashley Rohan Caldow | 8 (12) | N/A |
| Kathryn Elizabeth Hausler | 10 (12) | 10 (12) |
| Austin David Grigg | 7 (12) | N/A |
| Gloria Freeman | 5 (12) | N/A |

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:



14 September 2011

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 2011, 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 14 September 2011.



Wayne David Caldwell
Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|---|------|----------------|-----------------|
| Revenues from continuing operations | 2 | 368,964 | 326,455 |
| Employee benefits expense | 3 | (195,295) | (202,049) |
| Charitable donations and sponsorship | | (7,493) | (2,455) |
| Depreciation and amortisation expense | 3 | (6,849) | (4,524) |
| Finance costs | 3 | (34,377) | (35,325) |
| Other expenses | | (133,728) | (124,674) |
| Loss before income tax expense | | (8,778) | (42,572) |
| Income tax benefit / (expense) | 4 | 2,099 | 11,860 |
| Loss after income tax expense | | (6,679) | (30,712) |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (6,679) | (30,712) |
| Earnings per share (cents per share) | | | |
| - basic for loss for the year | 22 | (1.40) | (6.45) |
| - diluted for loss for the year | 22 | (1.40) | (6.45) |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|--------------------------------------|------|------------------|------------------|
| Current assets | | | |
| Receivables | 7 | 30,556 | 27,929 |
| Total current assets | | 30,556 | 27,929 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 53,949 | 39,140 |
| Deferred tax asset | 4 | 259,726 | 257,627 |
| Intangible assets | 9 | - | - |
| Total non-current assets | | 313,675 | 296,767 |
| Total assets | | 344,231 | 324,696 |
| Current liabilities | | | |
| Bank overdraft | 6 | 83,847 | 77,506 |
| Payables | 10 | 21,029 | 22,372 |
| Provisions | 11 | 13,004 | 11,423 |
| Loans and borrowings | 12 | 3,765 | 3,765 |
| Total current liabilities | | 121,645 | 115,066 |
| Non-current liabilities | | | |
| Loans and borrowings | 12 | 423,715 | 404,080 |
| Total non-current liabilities | | 423,715 | 404,080 |
| Total liabilities | | 545,360 | 519,146 |
| Net assets / (liabilities) | | (201,129) | (194,450) |
| Equity | | | |
| Share capital | 13 | 476,160 | 476,160 |
| Accumulated losses | 14 | (677,289) | (670,610) |
| Total equity | | (201,129) | (194,450) |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|---|------------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 403,219 | 354,991 |
| Cash payments in the course of operations | | (373,160) | (358,227) |
| Interest paid | | (34,377) | (35,325) |
| Net cash flows from/(used in) operating activities | 15b | (4,318) | (38,561) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (21,658) | (27,895) |
| Net cash flows from/(used in) investing activities | | (21,658) | (27,895) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 19,635 | 396,235 |
| Net cash flows from/(used in) financing activities | | 19,635 | 396,235 |
| Net increase/(decrease) in cash held | | (6,341) | 329,779 |
| Cash and cash equivalents at start of year | | (77,506) | (407,285) |
| Cash and cash equivalents at end of year | 15a | (83,847) | (77,506) |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|---|------|------------------|------------------|
| 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 | | (670,610) | (639,898) |
| Loss after income tax | | (6,679) | (30,712) |
| Dividends paid | 20 | - | - |
| Balance at end of year | | (677,289) | (670,610) |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 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 14 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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.

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.

Notes to the financial statements continued

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

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.

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

Notes to the financial statements continued

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

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.

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.

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.

Notes to the financial statements continued

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

Comparative figures

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

| | 2011 \$ | 2010 \$ |
|--|------------|------------|
|--|------------|------------|

Note 2. Revenue from continuing operations

Operating activities

| | | |
|---------------------------------------|----------------|----------------|
| - services commissions and fee income | 368,964 | 326,295 |
| - other revenue | - | 160 |
| | 368,964 | 326,455 |

Non-operating activities:

| | | |
|---------------------|----------------|----------------|
| - interest received | - | - |
| - other revenue | - | - |
| | - | - |
| | 368,964 | 326,455 |

Note 3. Expenses

Employee benefits expense

| | | |
|-------------------------------|----------------|----------------|
| - wages and salaries | 166,435 | 174,484 |
| - superannuation costs | 14,282 | 15,098 |
| - workers' compensation costs | 490 | 484 |
| - other costs | 14,088 | 11,983 |
| | 195,295 | 202,049 |

Depreciation of non-current assets:

| | | |
|--------------------------|-------|-------|
| - plant and equipment | 6,849 | 4,524 |
| - leasehold improvements | - | - |

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|--|--------------|--------------|
| Note 3. Expenses (continued) | | |
| Amortisation of non-current assets: | | |
| - intangibles | - | - |
| | 6,849 | 4,524 |
| Finance costs: | | |
| - Interest paid | 34,377 | 35,325 |
| Bad debts | 419 | 352 |

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% | (2,633) | (12,772) |
| Add tax effect of: | | |
| - Non-deductible expenses | 534 | 912 |
| Current income tax (benefit) / expense | (2,099) | (11,860) |
| Income tax (benefit) / expense | (2,099) | (11,860) |
| 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 | | |
| | 259,726 | 257,627 |

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 | 3,900 |
| - Share registry services | 1,600 | 1,569 |
| | 5,500 | 5,469 |

Note 6. Cash and cash equivalents

| | | |
|--|-----------------|-----------------|
| Cash at bank and on hand / (bank overdraft) | (83,847) | (77,506) |
|--|-----------------|-----------------|

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|--|---------------|---------------|
| Note 7. Receivables & prepayments | | |
| Debtor - Bendigo and Adelaide Bank Ltd | 27,228 | 25,014 |
| GST refundable | - | 798 |
| Prepayments | 3,328 | 2,117 |
| | 30,556 | 27,929 |

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 | 91,573 | 69,915 |
| Less accumulated depreciation | (37,624) | (30,775) |
| | 53,949 | 39,140 |
| Total written down amount | 53,949 | 39,140 \$ |

Movements in carrying amounts

Plant and equipment

| | | |
|---------------------------------------|---------------|---------------|
| Carrying amount at beginning of year | 39,140 | 15,769 |
| Additions | 21,658 | 27,895 |
| Disposals | - | - |
| Depreciation expense | (6,849) | (4,524) |
| Carrying amount at end of year | 53,949 | 39,140 |

Note 9. Intangible assets

Franchise fee

| | | |
|-------------------------------|----------|----------|
| At cost | 60,000 | 60,000 |
| Less accumulated amortisation | (60,000) | (60,000) |
| | - | - |

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|---------------------------------------|------------|------------|
| Note 9. Intangible assets (continued) | | |
| Preliminary expenses | | |
| At cost | 80,541 | 80,541 |
| Less accumulated amortisation | (80,541) | (80,541) |
| | - | - |
| | - | - |

Note 10. Payables

| | | |
|------------------------------|---------------|---------------|
| Trade creditors | 7,684 | 8,210 |
| Other creditors and accruals | 13,345 | 14,162 |
| | 21,029 | 22,372 |

Note 11. Provisions

| | | |
|--------------------------------------|---------------|---------------|
| Employee benefits | 13,004 | 11,423 |
| Movement in employee benefits | | |
| Opening balance | 11,423 | 8,386 |
| Additional provisions recognised | 14,544 | 17,242 |
| Amounts utilised during the year | (12,963) | (14,205) |
| Closing balance | 13,004 | 11,423 |

Note 12. Loans and borrowings

Current

| | | |
|------------------------|----------------|----------------|
| Lease liability | 3,765 | 3,765 |
| Non-current | | |
| Term loan | 400,000 | 400,000 |
| Lease liability | 315 | - |
| Loan | 23,400 | 4,080 |
| | 423,715 | 404,080 |

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|---|----------------|----------------|
| 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 | (670,610) | (639,898) |
| Loss after income tax | (6,679) | (30,712) |
| Dividends | - | - |
| Balance at the end of the financial year | (677,289) | (670,610) |

Note 15. Statement of cash flows

(a) Cash and cash equivalents

| | | |
|---------------------------------------|-----------------|-----------------|
| Cash assets / (bank overdraft) | (83,847) | (77,506) |
|---------------------------------------|-----------------|-----------------|

(b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities

| | | |
|---|----------------|-----------------|
| Loss after income tax | (6,679) | (30,712) |
| Non cash items | | |
| - Depreciation | 6,849 | 4,524 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (2,627) | (2,374) |
| - Increase (decrease) in payables | (1,343) | (1,176) |
| - Increase (decrease) in provisions | 1,581 | 3,037 |
| - (Increase) decrease in deferred tax asset | (2,099) | (11,860) |
| Net cash flows from/(used in) operating activities | (4,318) | (38,561) |

Notes to the financial statements continued

Note 16. Director and related party disclosures

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

Wayne David Caldwell
Vlada Gajic
Luke Simon Munro
Stephen Edmund Ryan
Ashley Rohan Caldwell
Kathryn Elizabeth Hausler
Austin David Grigg
Gloria Freeman

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.

Total rental for the year ended 30 June 2011 of \$11,011 (2010: \$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.

| Directors' shareholdings | 2011 | 2010 |
|---------------------------------|-------------|-------------|
| Wayne David Caldwell | 1,101 | 1,101 |
| Vlada Gajic | - | - |
| Luke Simon Munro | 3,001 | 3,001 |
| Stephen Edmund Ryan | 2,401 | 2,401 |
| Ashley Rohan Caldwell | 3,001 | 3,001 |
| Kathryn Elizabeth Hausler | 1,000 | 1,000 |
| Austin David Grigg | 2,001 | 2,001 |
| Gloria Freeman | 1,000 | 1,000 |

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 and assets

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

Notes to the financial statements continued

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.

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 Victoria 3318.

| | 2011 | 2010 |
|--|------|------|
| | \$ | \$ |

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 | (6,679) | (30,712) |
| 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.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(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:

| | Carrying amount | |
|-------------|-----------------|---------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Receivables | 27,228 | 25,812 |
| | 27,228 | 25,812 |

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 (2010: 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.

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 2011 | | | | | |
| Payables | 21,029 | (21,029) | (21,029) | - | - |
| Bank overdraft | 83,847 | (83,847)* | (83,847) | - | - |
| Loans and borrowings | 427,480 | (458,531) | (42,160) | (416,371) | - |
| | 532,356 | (563,407) | (147,036) | (416,371) | - |
| 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) | - |

* 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 2011 was 7.03% (30 June 2010: 6.49%).

(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.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

| | Carrying amount | |
|----------------------------------|------------------|------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Fixed rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | (427,480) | (407,845) |
| | (427,480) | (407,845) |
| Variable rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | (83,847) | (77,506) |
| | (83,847) | (77,506) |

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 2010 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.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) Capital management (continued)

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 2011 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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 14 September 2011

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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ABN 60 616 244 309

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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 2011 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: 14 September 2011

Edenhope & District **Community Bank**[®] Branch
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Franchisee: Edenhope & District Financial Services Limited
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(BMPAR11027) (07/11)

