Edenhope & District **Community Bank®** Branch

annual report 2012

Edenhope & District
Financial Services Limited

ABN 68 103 869 227

Contents

Chairman's report

For year ending 30 June 2012

Well, what a rollercoaster ride the last nine years have been. We had the faith that this business would pull through with a positive outcome, and the last 12 months has proved that.

We are now showing monthly profits, which is very much overdue and finally very welcome. Our overdraft is decreasing and there are very positive outcomes for our local community. The big highlight for me was being part of a team announcing $100,000 to our local hospital for the building of a new medical centre. This is a huge outcome for all the people involved. Thanks go to Luke Riley our Branch Manager who worked with Simon Cornwell, our Regional Manager to bring this major event to reality.

To the shareholders I take this opportunity to say sorry for not being able to pay out a dividend after nine years. Although I would say that this $100,000 grant to the building of the local medical centre should be seen as a huge dividend for you and your community. Your investment as a shareholder has now been worth it, as whoever you are, we all need a sound future in our health services in this community. The **Community Bank®** concept is a huge reality in communities all over Australia and now we are up with the best as a community provider.

A personal highlight for me was the employment of a local school leaver for their first job and hopefully a career. Shayne Williams started last year and has fitted in very well. Our staff are ably lead by Luke Riley, our Branch Manager, Brett McDonald as our full-time CSO and Margie Reid and Shayne as part-time staff. They have developed into a great team as well as Damian Bryan, our Agribusiness Manager and Sam Neale, our Financial Planner.

Business growth in the last financial year has been equal to the best. Luke's efforts have been fantastic growing the customer base with good increase in agribusiness and financial planning. As I write this report we have just gone over $43 million on our books. This is along way from the $18 million book that Luke started with. As Chairman, a big thank-you to the team, a job well done.

Thanks also go to the Board that support and promote this great institution. This year we have welcomed Fred Carberry and Ritchie Middleton to the Board. Thanks to Vlada for his extra commitments as Secretary as well as West Currie Consultants for their professionalism in presenting our financials each month. Thanks to all who have supported me throughout the year in my role as Chairman, we look forward to a strong, bright future.

Wayne Caldow
Chairman

Manager’s report

For year ending 30 June 2012

Welcome to the eighth Annual Report for Edenhope and District Financial Services Limited and my fifth Manager’s report.

As Wayne so rightly pointed out in his report, while we have not been able to pay a dividend yet (due to ASIC regulations), we see our $100,000 contribution to the Edenhope & District Memorial Hospital (EDHM) Medical Clinic as one of the largest community contributions ever made within this district from a non-government funded organisation. This $100,000 did not come out of our ‘pocket’ as such and has not lengthened the timeframe before we will be able to pay a dividend. In fact, it has done the opposite.

Since we first announced this $100,000 contribution at the Edenhope & District Memorial Hospital (EDMH) AGM last year, we have picked up in excess of $4 million in business, where these customers have specifically mentioned that the Edenhope & District Memorial Hospital (EDMH) contribution was their main incentive to bring their business to us!

While this was an extremely large project and took a lot of time for all parties involved, it is the project that I am the most proud of being a part of throughout my career thus far. All shareholders and customers should feel that they each played a small part in making this contribution to the Edenhope Medical Clinic a reality as we couldn’t have done it without you.

I’d like to acknowledge the work of our strong and diverse team at the Edenhope & District **Community Bank®** Branch, made up of Brett McDonald, Margie Reid, Shayne Williams, Damian Bryan (Agribusiness Manager), Steve Wood (Agribusiness Assistant) and Sam Neal (Financial Planner). A big focus for us this year has been broadening our customer relationships to ensure that we are servicing all of our customers needs, ranging from transactional accounts, investments, lending, financial planning, insurance and business/agribusiness needs. We are now the only fully functional branch in town, with a full-time Branch Manager offering consumer lending and business/agribusiness lending. We also have weekly visits from our Agribusiness Manager and Financial Planner. These are huge selling points for us and we are beginning to capitalise on them.

The past financial year showed a growth in total business of $4.57 million, up 26% in the previous financial year. Total business as at 30 June 2012 was $42.2 million.

Over the past financial year we increased our income by 11% which was due to increased business footings and an increase in financial planning and insurance revenue. We have returned cash profits every month since January 2012 and as a result our overdraft is reducing at a pleasing rate.

A more detailed explanation of our business growth, income/expense/profit/loss figures will be provided at our AGM so please come along for more information.

I would 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 Wayne Caldow (Chairman), Vlada Gajic (Secretary) and Kate Hausler (Treasurer).

The team at Ballarat State Support Office (Bendigo and Adelaide Bank) 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 in particular for his assistance with the Edenhope & District Memorial Hospital (EDMH) project and Leanne Martin for her on-going marketing and training support.

Last but certainly not least, I wish to close by reminding you all that the Edenhope & District **Community Bank®** Branch has contributed over $150,000 to almost 50 community groups and/or individuals. I would again like to remind you that our community contributions do not affect or reduce our ability to pay dividends to shareholders and in fact will expedite this process.

Manager's report (continued)

While this is a fantastic effort, again 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. Rupanyup/Minyup **Community Bank®** branches have contributed over $700,000 and Maldon **Community Bank®** Branch has contributed over $600,000 to their respective local communities and have been paying dividends to shareholders for several years. They have done this purely based on the size of their business portfolio thanks to strong shareholder and community support.

We currently have approximately 50% of our shareholders banking with us and at this level we will not be able to replicate the above results. An increase in shareholder banking would significantly increase our community investment and ultimately would make dividend payments to our shareholders possible much sooner.

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 drop into the branch and talk to our friendly team about how we can assist with your banking needs and in turn how your business will contribute to funding important infrastructure, events and community groups within our district.

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

Luke Riley
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

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

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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
Board member since 2003

Luke Simon Munro
Director
Occupation - Business Proprietor
Board member since 2003

Ashley Rohan Caldow
Director
Occupation - Farmer
Board member since 2003

Austin David Grigg
Director
Occupation - Shearing Contractor/Farmer
Board member since 2003

Francis Carberry
(Appointed 12 September)
Director
Occupation - Business Proprietor
Board member since 2011

Vlada Gajic
Director
Occupation - IT Consultant
Board member since 2010

Stephen Edmund Ryan
Director
Occupation - Business Proprietor
Board member since 2003

Kathryn Elizabeth Hausler
Director
Occupation - Farmer
Board member since 2003

Gloria Freeman
Director
Occupation - Teacher
Board member since 2009

Ritchie Robertson Middleton
(Appointed 12 September)
Director
Occupation - Farmer
Board member since 2011

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

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.

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

Operating results

The loss of the company for the financial year after provision for income tax was $50,891 (2011: $6,679).

Financial position

The net assets of the company has decreased by $50,891 from 30 June 2011 to ($252,020) in2012. This is due to the loss incurred by the company.

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

Remuneration report

Total rental for the year ended 30 June 2012 of $11,011 (2011: $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.

The above Director related transactions were on normal commercial terms and conditions. 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.

Indemnifying Officers or Auditor

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.

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	8 (9)	8 (9)
Vlada Gajic	6 (9)	6 (9)
Luke Simon Munro	5 (9)	N/A
Stephen Edmund Ryan	1 (9)	N/A
Ashley Rohan Caldow	7 (9)	N/A
Kathryn Elizabeth Hausler	8 (9)	8 (9)
Austin David Grigg	6 (9)	N/A
Gloria Freeman	1 (9)	N/A
Francis Carberry	8 (9)	N/A
Richie Robertson Middleton	4 (6)	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)

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Edenhope, Victoria on 17 September 2011.

Kathryn Elizabeth Hausler,
Treasurer/Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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The Directors
Edenhope & District Financial Services Limited
63 Elizabeth Street
Edenhope, Victoria 3318

To the Directors of Edenhope & District Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 17 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenues	2	420,152	368,964
Employee benefits expense	3	(202,025)	(195,295)
Depreciation and amortisation expense	3	(8,127)	(6,849)
Finance costs	3	(37,654)	(34,377)
Other expenses		(137,213)	(133,728)
Operating profit/(loss) before charitable donations & sponsorships		**35,133**	**(1,285)**
Charitable donations and sponsorship		(105,879)	(7,493)
Loss before income tax expense		**(70,746)**	**(8,778)**
Income tax benefit / (expense)	4	19,855	2,099
Loss after income tax expense		**(50,891)**	**(6,679)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(50,891)**	**(6,679)**
Earnings per share (cents per share)			
- basic for loss for the year	22	(10.69)	(1.40)
- diluted for loss for the year	22	(10.69)	(1.40)

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Receivables	7	32,031	30,556
Total current assets		**32,031**	**30,556**
Non-current assets			
Property, plant and equipment	8	39,509	53,949
Deferred tax asset	4	279,581	259,726
Total non-current assets		**319,090**	**313,675**
Total assets		**351,121**	**344,231**
Liabilities			
Current liabilities			
Bank overdraft	6	71,472	83,847
Payables	9	16,294	21,029
Provisions	10	18,255	13,004
Loans and borrowings	11	5,341	3,765
Total current liabilities		**111,362**	**121,645**
Non-current liabilities			
Loans and borrowings	11	491,779	423,715
Total non-current liabilities		**491,779**	**423,715**
Total liabilities		**603,141**	**545,360**
Net assets / (liabilities)		**(252,020)**	**(201,129)**
Equity			
Issued capital	12	476,160	476,160
Accumulated losses	13	(728,180)	(677,289)
Total equity		**(252,020)**	**(201,129)**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		450,543	403,219
Cash payments in the course of operations		(495,658)	(373,160)
Other income		29,141	-
Interest paid		(37,654)	(34,377)
Net cash flows from/(used in) operating activities	**14b**	**(53,628)**	**(4,318)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(21,658)
Proceeds from sale of property, plant and equipment		6,363	-
Net cash flows from/(used in) investing activities		**6,363**	**(21,658)**
Cash flows from financing activities			
Proceeds from borrowings		69,640	19,635
Net cash flows from/(used in) financing activities		**69,640**	**19,635**
Net increase/(decrease) in cash held		**22,375**	**(6,341)**
Cash and cash equivalents at start of year		(83,847)	(77,506)
Cash and cash equivalents at end of year	**14a**	**(61,472)**	**(83,847)**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
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		(677,289)	(670,610)
Loss after income tax		(50,891)	(6,679)
Dividends paid	20	-	-
Balance at end of year		**(728,180)**	**(677,289)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Edenhope & District Financial Services Limited ('the company') is domiciled in Australia. The financial financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 17 September 2012.

(b) Going concern

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

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements after consideration of the following:

(i) The company recognises that losses will be incurred during the development of the business and while market access is being developed within the district. The company has reported a loss after tax of $50,891 (2011: $6,679) for the year ended 30 June 2012. The company has budgeted for a loss before tax of $16,300 for the 2012/13 year, however it is projected the company will report monthly profits before tax from February 2013. The Directors will continue to review their growth forecast budget and cashflows throughout the 2012/13 year.

(ii) Bendigo and Adelaide Bank has confirmed that it will continue to support the company and its operations for the 2012/13 financial year and beyond through the provision of an overdraft facility normal commercial terms and conditions to assist with working capital requirements.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Income tax (continued)

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.

(d) 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(e) Impairment 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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) 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.

(h) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(i) 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.

(j) Revenue

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

(k) 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.

(l) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(m) Loans and borrowings

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

(n) Provisions

Provisions are recognised when the company 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.

(o) 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.

(p) Comparative figures

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

(q) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Note 1. Summary of significant accounting policies (continued)

(r) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

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

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

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 **$**	**2011** **$**

Note 2. Revenue

	2012 $	**2011 $**
Revenue from continuing activities		
- services commissions and fee income	391,011	368,964
	391,011	**368,964**
Other revenue		
- other revenue	29,141	-
	29,141	**-**
	420,152	**368,964**

	2012 $	2011 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	173,502	166,435
- superannuation costs	14,842	14,282
- workers' compensation costs	503	490
- other costs	13,178	14,088
	202,025	**195,295**
Depreciation of non-current assets:		
- plant and equipment	8,127	6,849
- leasehold improvements	-	-
	8,127	**6,849**
Finance costs:		
- Interest paid	37,654	34,377
Bad debts	310	419

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%	(21,224)	(2,633)
Add tax effect of:		
- Non-deductible expenses	1,369	534
Current income tax (benefit) / expense	**(19,855)**	**(2,099)**
Income tax (benefit) / expense	**(19,855)**	**(2,099)**
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	**279,581**	**259,726**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	3,900	3,900
- Share registry services	1,650	1,600
	5,550	**5,500**

	2012 $	2011 $

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand / (bank overdraft)	**(71,472)**	**(83,847)**

Note 7. Receivables & prepayments

	2012 $	2011 $
Debtor - Bendigo and Adelaide Bank	28,551	27,228
Prepayments	3,480	3,328
	32,031	**30,556**

Note 8. Property, plant and equipment

	2012 $	2011 $
Leasehold improvements		
At cost	29,330	29,330
Less accumulated depreciation	(29,330)	(29,330)
	-	-
Plant and equipment		
At cost	75,058	91,573
Less accumulated depreciation	(35,549)	(37,624)
	39,509	**53,949**
Total written down amount	**39,509**	**53,949**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	53,949	39,140
Additions	-	21,658
Disposals	(6,363)	-
Depreciation expense	(8,127)	(6,849)
Profit on Sale of Fixed Assets	50	-
Carrying amount at end of year	**39,509**	**53,949**

Note 9. Payables

	2012 $	2011 $
Trade creditors	2,710	7,684
Other creditors and accruals	13,584	13,345
	16,294	**21,029**

	2012 $	2011 $

Note 10. Provisions

	2012 $	2011 $
Employee benefits	**18,255**	**13,004**
Movement in employee benefits		
Opening balance	13,004	11,423
Additional provisions recognised	15,652	14,544
Amounts utilised during the year	(10,401)	(12,963)
Closing balance	**18,255**	**13,004**

Note 11. Loans and borrowings

	2012 $	2011 $
Current		
Lease liability	**5,341**	**3,765**
Non-current		
Term loan	400,000	400,000
Lease liability	12,419	315
Other loans		
- CCTV Loan from Bendigo and Adelaide Bank	9,360	23,400
- Unsecured Loans from other **Community Bank®** branches	70,000	-
	491,779	**423,715**

The term loan of $400,000 was an interest only loan received from Bendigo and Adelaide Bank on 1 October 2009 with a variable interest rate currently at approximately 6.478%. The initial loan was fixed interest for a period of two years. Edenhope & District Financial Services received an extension on 13 January 2012 for an additional period of five years. Security for this loan consists of an existing Registered First Company Debenture Mortgage.

Edenhope & District Financial Services Limited received a number of small loans from other **Community Bank®** branches. These loans are for a five year term expiring between March and May 2017. These loans are interest free and require no repayments over the term of the loan. The principal is due on expiration.

	2012 $	2011 $
Finance lease commitments:		
Payable - minimum lease payments:		
- not later than 12 months	5,341	4,518
- between 12 months and five years	16,024	377
- later than five years	-	-
Minimum lease payments	**21,365**	**4,895**
Less future finance charges	3,605	815
Present value of minimum lease payments	**17,760**	**4,080**

Note 11. Loans and borrowings (continued)

The finance lease is for a motor vehicle. The vehicle was changed over during the period and a new lease entered into. This lease expires at the conclusion of June 2016.

	2012 $	2011 $
Note 12. Share capital		
476,160 Ordinary shares fully paid of $1 each	**476,160**	**476,160**

Note 13. Accumulated losses

	2012 $	2011 $
Balance at the beginning of the financial year	(677,289)	(670,610)
Loss after income tax	(50,891)	(6,679)
Dividends	-	-
Balance at the end of the financial year	**(728,180)**	**(677,289)**

Note 14. Statement of cash flows

	2012 $	2011 $
(a) Cash and cash equivalents		
Cash assets / (bank overdraft)	**(71,472)**	**(83,847)**
(b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities		
Loss after income tax	(50,891)	(6,679)
Non cash items		
- Depreciation	8,127	6,849
- Net (profit)/loss from sale of plant and equipment	(50)	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(1,475)	(2,627)
- Increase (decrease) in payables	(4,735)	(1,343)
- Increase (decrease) in provisions	5,251	1,581
- (Increase) decrease in deferred tax asset	(19,855)	(2,099)
Net cash flows from/(used in) operating activities	**(63,628)**	**(4,318)**

Note 16. Director and related party disclosures

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

Wayne David Caldow
Vlada Gajic
Luke Simon Munro
Stephen Edmund Ryan
Ashley Rohan Caldow
Kathryn Elizabeth Hausler
Austin David Grigg
Gloria Freeman
Francis Carberry
Ritchie Robertson Middleton

Other than detailed below no Director or related entity has entered into a material contract with the company. No Director's fees have been paid as the positions are held on a voluntary basis.

Total rental for the year ended 30 June 2012 of $11,011 (2011: $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	**2012**	**2011**
Wayne David Caldow	1,101	1,101
Vlada Gajic	-	-
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
Gloria Freeman	1,000	1,000
Francis Carberry	-	-
Ritchie Robertson Middleton	2,000	2,000

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. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There have been no other 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.

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Edenhope,Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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 VIC 3318.

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:

	2012 $	2011 $
Loss after income tax expense	**(50,891)**	**(6,679)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**476,160**	**476,160**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	-	-
Receivables	7	32,031	30,556
Total financial assets		**32,031**	**30,556**
Financial liabilities			
Payables	9	16,294	21,029
Bank overdraft	6	71,472	83,847
Loans and borrowings	11	497,120	427,480
Total financial liabilities		**584,886**	**532,356**

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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 2012 $	Carrying amount 2011 $
Cash and cash equivalents	-	-
Receivables	32,031	30,556
	32,031	**30,556**

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank.

None of the assets of the company are past due (2011: 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.

(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 established an overdraft facility of $100,000 with Bendigo and Adelaide Bank.

Financial liability and financial asset maturity analysis

30 June 2012	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment				
Payables	(16,294)	(16,294)		
Bank Overdraft	(71,472)*	(71,472)	–	–
Loans and Borrowings	(497,120)	(13,800)	(483,320)	–
Total expected outflows	**(584,886)**	**(101,566)**	**(483,320)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	–	–	–	–
Receivables	32,031	32,031	–	–
Total anticipated inflows	**32,031**	**32,031**	**–**	**–**
Net (outflow)/inflow on financial instruments	**(552,855)**	**(69,535)**	**(483,320)**	**–**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

30 June 2011	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment				
Payables	(21,029)	(21,029)		
Bank Overdraft	(83,847)*	(83,847)	–	–
Loans and Borrowings	(427,480)	(417,806)	(9,674)	–
Total expected outflows	**(532,356)**	**(522,682)**	**(9,674)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	–	–	–	–
Receivables	30,556	30,556	–	–
Total anticipated inflows	**30,556**	**30,556**	**–**	**–**
Net (outflow)/inflow on financial instruments	**(501,800)**	**(492,126)**	**(9,674)**	**–**

* The Bank overdraft has no set repayment period and as such all has been included as current.

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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 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 2012 $	Carrying amount 2011 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	97,120	427,480
	97,120	**427,480**

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2012	**2011**
	$	**$**
Floating rate instruments		
Financial assets	32,031	30,556
Financial liabilities	471,472	83,847
	503,503	**114,403**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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%.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Capital management (continued)

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 2012 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

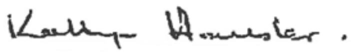
In accordance with a resolution of the Directors of Edenhope & District Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 10 to 29 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Kathryn Elizabeth Hausler,
Treasurer/Director

Signed at Edenhope on 17 September 2012

Richmond Sinnott & Delahunty
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Edenhope & District Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Edenhope & District Financial Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of Matter

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. Note 1(b) "Going Concern' in the financial statements indicates the company recorded a loss after tax of $50,891 (2011: loss of $6,679). The directors have prepared a budget for the 2012/13 year which indicates a budgeted loss before tax of $16,300 will be recorded, however it is noted that the company is projected to return to monthly profits from February 2013.

The directors have received a financial facility to assist with working capital requirements for the next twelve months. Without achieving the 2012/13 budget results or the financial facility being withdrawn, there is significant uncertainty whether Edenhope & District Financial Services Limited will continue as a going concern.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 17th September 2012

Edenhope & District **Community Bank®** Branch
63 Elizabeth Street, Edenhope VIC 3318
Phone: (03) 5585 1822

Franchisee: Edenhope & District Financial Services Limited
63 Elizabeth Street, Edenhope VIC 3318
ABN: 68 103 869 227
www.bendigobank.com.au/edenhope

Bendigo Bank

(BMPAR12078) (09/12)