Edenhope & District Financial Services Limited

ABN 68 103 869 227

ANNUAL REPORT 2013

Edenhope & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2013

Ten years, where have they gone. We started in June 2003 and in June 2013, celebrated 10 years of our Edenhope & District **Community Bank®** Branch. It was tough in the earlier years with slow business growth in the first five or six years. This increased our costs and therefore increased the time before we could get make a profit. Now as I present this, 10th report, it is a huge pleasure to report on the position the business is now in.

Thanks to the great staff led by James Ackland our Manager, James took over from Luke Riley last October. Luke had given us over three years of great service as well as growing our business very strongly. I must take this opportunity to thank Luke for his great work in bringing together the $100,000 grant to the Hospital which involved nine other very generous **Community Bank®** branches granting or loaning the money. This has been a very important contribution to our community, a true **Community Bank®** branch dividend to our district. Thanks Luke for your passion and commitment in leaving us in a sound position. The Board was extremely pleased to announce James Ackland as our new Manager who came highly recommended by Luke. James's love of this community and passion to want to see the branch thrive has seen extremely good growth since his appointment. Margie, Brett and Shane have done a top job together. I am very proud of the staff all working together for customer satisfaction and growing that ever-important business. Congratulations to Margie for achieving 10 years as a valued employee.

I must commend our partners from the Bendigo and Adelaide Bank led by Simon Cornwell and Leanne Martin who are a great support to myself and the Board. Also thank you to the Rural Bank team, led by Damian Bryan and Steve Wood who continue to grow our branch through Agribusiness. Financial planning is also growing quite well with thanks to Sam Neale.

I would like to thank the Board for their support including Vlada in the secretarial role until Alison Hausler took over the Secretary's position this year. The Board was very fortunate to have Alison take on this position as her skills and strong community interest is a real asset to the Board.

Sadly, in August we lost a long-time Board member Austin Grigg who passed away after a long illness, Austin was an inaugural steering committee member who then continued onto the main Board. His commitment was unwavering and I will always remember Austin's work in gaining the building we have for the branch.

Thanks to the shareholder for your support and patience in getting this wonderful **Community Bank®** branch to where we are today. You might not have had a personal return on your investment yet, but through the generosity of our more profitable **Community Bank®** partners and Bendigo and Adelaide Bank's market development fund, we have given out $145,000 to your community since opening.

Thanks everyone for your support.

W.D Caldow

Chairman
Wayne Caldow

Manager's report

For year ending 30 June 2013

Welcome to the ninth Annual Report of Edenhope & District Financial Services Limited and my first Manager's report.

I'd like to take this opportunity to thank the Board for giving me the opportunity in this role in my local town. It has been a steep learning curve however at the same time very satisfying to see the progress myself and our staff have made since I started at the end of October 2012. I can't wait to see what the Edenhope & District **Community Bank®** Branch can achieve in the coming years and what positive impacts this will make to our community.

I would like to thank the local branch staff in Brett McDonald, Margie Reid, and Shayne Williams for their support over the past 12 months. We wouldn't have the results we do today without your effort in helping me find my feet and also covering for me while I was completing training over the first six months. I must also mention the other staff that make up our team, Damian Bryan (Agribusiness Manager), Steve Wood (Agribusiness Assistant), and Sam Neale (Financial Planner). Each of them add great depth to our local branch and also gives our customers first rate customer service and banking knowledge. As I write this report, I have been informed that Sam Neale is leaving the branch, I wish him all the best for his future endeavours and thank him for his contribution to the Edenhope & District **Community Bank®** Branch over the past few years.

The Ballarat State Support Team (Bendigo and Adelaide Bank Limited) have been a great resource and support for our branch and Board over the past 12 months and especially since I commenced as Branch Manager. I must thank Simon Cornwell (Regional Manager), Leanne Martin (Retail Sales Lead), and David Gray (Regional Lending Manager) for all of their support, guidance and training since I commenced with the branch. Your support to me and the staff have been a huge factor in our success this year.

Our financial results this year have been excellent; our total portfolio has grown $9.3 million. This is an increase of 22.03 per cent in the past 12 months. Total business portfolio as of the 30 June 2013 was $51.5 million.

Our income is down by two per cent on last year, the reason for this is the tighter lending and deposit margins that are part of today's financial environment. Our expenses were down by three per cent on last year, which was due to been able to save interest by having less owing on our overdraft and continued cost control measures we have in place. This means as a branch we are now consistently making monthly cash profits, which are reducing our overdraft at a pleasing rate.

I will go through some of the above figures in more detail at the Annual General Meeting, so please come along if you want to hear this in further detail.

On the 25 June this year we celebrated our 10th birthday, it seems 10 years has flown by, especially as 10 years ago I was completing Year 12 at Edenhope College.

We marked the 10th birthday by holding a thank you dinner for all the ex Board and staff members, as well as all current Board and staff members and anyone else that helped us over the past 10 years. On Tuesday 25 June we held a BBQ for all of the community and we had lots of school kids who came down for a couple of hours to help us celebrate. This was then followed by a shareholders dinner on the Tuesday night which was very well attended and was a thank you to our shareholders as without them we wouldn't have had a branch in the first place. It also gave us a chance to touch base with our shareholders to let them know how we are going.

Before signing off I must thank the Board and especially Wayne Caldow (Chairman), Vlada Gajic (outgoing Secretary). Alison Hausler (income Secretary), and Kate Hausler (Treasurer) for their time and dedication to helping run this branch and the support they have given the staff and I. I must also mention the recent passing of Austin Grigg one of our inaugural Board members who served on our board for 10 years. Austin was a dedicated Board member whose input has been invaluable. Our condolences go out to his family.

Manager's report (continued)

Overall the past 12 months has shown the Edenhope & District **Community Bank®** Branch go from strength to strength. I am looking forward to what the next 12 months brings and what exciting things the Edenhope & District **Community Bank®** Branch can do for our local community.

If anyone has any questions in regards to this report or wants to speak to me about there banking requirements please let me know I am will be happy to talk to you.

James Ackland
Branch Manager

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Wayne David Caldow Appointed 2003 Chairman		Primary Producer in the Edenhope District for over 40 years
Vlada Gajic Appointed 2010 Director		Director of Gumlea IT Solutions. Over 20 Years experience in the IT Industry
Luke Simon Munro Appointed 2003 Director		Owner and Operator of West Wimmera Rural Services for over 13 years
Stephen Edmund Ryan Appointed 2003 Director		Owned and Operated Edenhope Auto Electrics for over 20 years. Owner of several Car Wash Businesses
Ashley Rohan Caldow Appointed 2003 Director		Primary Producer in the Edenhope District for over 30 years
Kathryn Elizabeth Hausler Appointed 2003 Director		Primary Producer in the Edenhope District for over 40 years
Austin David Grigg Appointed 2003 Director		Primary Producer and Shearing Contractor for over 50 years in the Edenhope District
Alison Jane Hausler Appointed 2013 Director		Primary School Teacher for over 20 years Small business Operator
Francis Carberry Appointed 2011 Director		Owner Operator of Edenhope Tyres and Fuel for over 11 years, prior to that in Motel Management
Ritchie Robertson Middleton Appointed 2011 Director		Primary Producer in the Edenhope District for over 30 years

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

No Directors have material interests in contracts or proposed contracts with the company.

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 Limited.

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 providing for income tax was $4,660 (2012 loss: $50,891), which is a 9% improvement on the previous year.

The net assets of the company have increased to ($256,680) (2012: ($252,020)). The increase is largely due to the difficult economic climate of rural areas.

Dividends

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

Significant changes in the state of affairs

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

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, 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.

	2013
Wayne David Caldow	2,202
Vlada Gajic	-
Luke Simon Munro	-
Stephen Edmund Ryan	-
Ashley Rohan Caldow	-
Kathryn Elizabeth Hausler	-

Remuneration report (continued)

Remuneration benefits and payments (continued)

	2013
Austin David Grigg	2,202
Alison Jane Hausler	-
Francis Carberry	-
Ritchie Robertson Middleton	-
	4,404

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.

Directors' meetings

The number of Directors' meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	**Board meetings***	**Audit committee meetings***
Wayne David Caldow	10 (11)	10 (11)
Vlada Gajic	6 (11)	6 (11)
Kathryn Elizabeth Hausler	10 (11)	10 (11)
Luke Simon Munro	5 (11)	5 (11)
Alison Hausler (Board Member as of 24/1/13)	6 (6)	6 (6)
Stephen Edmund Ryan	3 (11)	N/A
Ashley Rohan Caldow	3 (11)	N/A
Austin David Grigg	2 (11)	N/A
Gloria Freeman (resigned 28/6/12)	0 (11)	N/A

Directors' meetings (continued)

Director	Board meetings*	Audit committee meetings*
Francis Carberry	8 (11)	N/A
Ritchie Robertson Middleton	8 (11)	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.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

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.

Company Secretary

Vlada Gajic has been the Company Secretary of Edenhope & District Financial Services Limited since 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. Vlada Resigned as Secretary in 2012 and this position was filled in January 2013 by new Board Member Alison Hausler. Alison is a primary school teacher with over 20 years experience and assists her husband in running his small engines repair business.

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 the 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.

Directors' report (continued)

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Edenhope on 10 September 2013.

W.D Caldow

Wayne David Caldow
Chairman

Auditor's independence declaration

Richmond
Sinnott &
Delahunty

Chartered Accountants

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10 September 2013

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

Dear Directors

To the Directors of Edenhope & District 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 2013 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.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	382,055	420,152
Employee benefits expense	3	(198,316)	(202,025)
Depreciation and amortisation expense	3	(7,557)	(8,127)
Finance costs	3	(25,397)	(37,654)
Bad and doubtful debts expense	3	-	(310)
Rental expense		(11,012)	(11,011)
Other expenses		(143,343)	(125,892)
Operating profit/(loss) before charitable donations & sponsorships		**(3,570)**	**35,133**
Charitable donations and sponsorships		(4,230)	(105,879)
(Loss) before income tax expense		**(7,800)**	**(70,746)**
Tax (benefit)	4	(3,140)	(19,855)
(Loss) for the year		**(4,660)**	**(50,891)**
Total comprehensive income		**(4,660)**	**(50,891)**
(Loss) attributable to:			
Members of the company		(4,660)	(50,891)
Total		**(4,660)**	**(50,891)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	20	(0.98)	(10.69)
- diluted for profit / (loss) for the year	20	(0.98)	(10.69)

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Trade and other receivables	6	34,490	32,031
Total current assets		**34,490**	**32,031**
Non-current assets			
Property, plant and equipment	7	31,952	39,509
Deferred tax asset	4	282,721	279,581
Total non-current assets		**314,673**	**319,090**
Total assets		**349,163**	**351,121**
Liabilities			
Current liabilities			
Trade and other payables	8	25,793	16,294
Bank overdraft	9	81,142	71,472
Provisions	10	15,588	18,255
Loans	11	5,341	5,341
Total current liabilities		**127,864**	**111,362**
Non current liabilities			
Loans	11	477,979	491,779
Total non current liabilities		**477,979**	**491,779**
Total liabilities		**605,843**	**603,141**
Net assets / (liabilities)		**(256,680)**	**(252,020)**
Equity			
Issued capital	12	476,160	476,160
Retained earnings / (accumulated losses)	13	(732,840)	(728,180)
Total equity		**(256,680)**	**(252,020)**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2013

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011		**476,160**	**(677,289)**	**(201,129)**
Total comprehensive income for the year		-	(50,891)	(50,891)
Transactions with owners, in their capacity as owners				
Dividends paid or provided	21	-	-	-
Balance at 30 June 2012		**476,160**	**(728,180)**	**(252,020)**
Balance at 1 July 2012		**476,160**	**(728,180)**	**(252,020)**
Total comprehensive income for the year		-	(4,660)	(4,660)
Transactions with owners, in their capacity as owners				
Dividends paid or provided	21	-	-	-
Balance at 30 June 2013		**476,160**	**(732,840)**	**(256,680)**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		419,747	469,684
Payments to suppliers and employees		(390,220)	(495,658)
Interest paid		(25,397)	(37,654)
Net cash flows from/(used in) operating activities	**14b**	**4,130**	**(63,628)**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	-
Proceeds from sale of property, plant and equipment		-	6,363
Net cash flows from/(used in) investing activities		**-**	**6,363**
Cash flows from financing activities			
Proceeds from borrowings		-	69,640
Repayment of borrowings		(13,800)	
Net cash flows from/(used in) financing activities		**(13,800)**	**69,640**
Net increase/(decrease) in cash held		**(9,670)**	**12,375**
Cash and cash equivalents at start of year		(71,472)	(83,847)
Cash and cash equivalents at end of year	**14a**	**(81,142)**	**(71,472)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Edenhope & District Financial Services Limited.

Edenhope & District Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 10 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

(b) Going concern

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business 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 $4,660 (2012:$50,891) for the year ended 30 June 2013. The company has budgeted for a profit before tax of $3,275 for the 2013/14 year. The Directors will continue to review their growth forecast budget and cashflows throughout the 2013/14 year.

(ii) Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2013/14 financial year and beyond through the provision of an overdraft and loan facility on normal commercial terms and conditions to assist with working capital requirements."

Note 1. Summary of significant accounting policies (continued)

(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.

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.

Note 1. Summary of significant accounting policies (continued)

(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.

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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

(f) Goods and services tax

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

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(g) Employee benefits

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

(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 charges 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. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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

Note 1. Summary of significant accounting policies (continued)

(k) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30

and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(l) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(m) Loans and borrowings

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

Note 1. Summary of significant accounting policies (continued)

(n) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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 deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

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.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

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

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be 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 debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2013 $	2012 $

Note 2. Revenue and other income

Revenue		
- services commissions	380,025	391,011
- other revenue	2,030	-
	382,055	**391,011**
Other revenue		
- other revenue	-	29,141
	-	**29,141**
Total revenue	**382,055**	**420,152**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	167,819	173,502
- superannuation costs	14,847	14,842
- other costs	15,650	13,681
	198,316	**202,025**
Depreciation of non-current assets:		
- plant and equipment	7,557	8,127
Amortisation of non-current assets:		
- intangible assets	-	-
	7,557	**8,127**
Finance costs:		
- Interest paid	25,397	37,654
Bad debts	-	310

Note 4. Tax expense

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	(2,340)	(21,224)

	2013 $	2012 $

Note 4. Tax expense (continued)

Add tax effect of:

	2013 $	2012 $
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	(800)	1,369
Current income tax expense	**(3,140)**	**(19,855)**
Income tax attributable to the entity	**(3,140)**	**(19,855)**
The applicable weighted average effective tax rate is	-	-
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**282,721**	**279,581**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2013 $	2012 $
- Audit or review of the financial report	4,150	3,900
- Share registry services	1,720	1,650
	5,870	**5,550**

Note 6. Trade and other receivables

Current

	2013 $	2012 $
Trade debtors	31,010	28,551
Prepayments	3,480	3,480
	34,490	**32,031**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

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

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	31,010	-	-	-	-	31,010
Total	**31,010**	**-**	**-**	**-**	**-**	**31,010**
2012						
Trade receivables	28,551	-	-	-	-	28,551
Total	**28,551**	**-**	**-**	**-**	**-**	**28,551**

Note 7. Property, plant and equipment

	2013 $	2012 $
Leasehold improvements		
At cost	29,330	29,330
Less accumulated depreciation	(29,330)	(29,330)
	-	-
Plant and equipment		
At cost	75,058	75,058
Less accumulated depreciation	(43,106)	(35,549)
	31,952	**39,509**
Total written down amount	**31,952**	**39,509**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	39,509	53,949
Additions	-	-
Disposals	-	(6,363)
Depreciation expense	(7,557)	(8,127)
Profit on Sale of Fixed Assets	-	50
Balance at the end of the reporting period	**31,952**	**39,509**

	2013 $	2012 $

Note 8. Trade and other payables

	2013 $	2012 $
Current		
Unsecured liabilities:		
Trade creditors	4,887	2,710
Other creditors and accruals	20,906	13,584
	25,793	**16,294**

Note 9. Bank overdraft

	2013 $	2012 $
Bank overdraft	81,142	71,472
	81,142	**71,472**

The company has an overdraft facility of $100,000 which is subject to normal commercial terms and conditions.

Note 10. Provisions

	2013 $	2012 $
Employee benefits	**15,588**	**18,255**
Movement in employee benefits		
Opening balance	18,255	13,004
Additional provisions recognised	12,204	15,652
Amounts utilised during the year	(14,871)	(10,401)
Closing balance	**15,588**	**18,255**
Current		
Annual Leave	11,594	14,871
Long-service leave	3,994	3,384
Total provisions	**15,588**	**18,255**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 $	2012 $

Note 11. Loans

Current		
Lease liability	**5,341**	**5,341**
Non-current		
Term loan	400,000	400,000
Lease liability	7,979	12,419
Other Loans		
- CCTV Loan from Bendigo and Adelaide Bank Limited	-	9,360
- Unsecured Loans from other **Community Bank®** branches	70,000	70,000
	477,979	**491,779**

The term loan of $400,000 was an interest only loan received from Bendigo and Adelaide Bank Limited on 1 October 2009 with a variable interest rate currently at approximately 5.104%. 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 r epayments over the term of the loan. The principal is due on expiration.

Finance lease commitments:

Payable - minimum lease payments:		
- not later than 12 months	5,341	5,341
- between 12 months and five years	10,683	16,024
- later than five years	-	-
Minimum lease payments	16,024	21,365
Less future finance charges	2,704	3,605
Present value of minimum lease payments	**13,320**	**17,760**

The finance lease is for a motor vehicle. This lease expires at the conclusion of June 2016.

	2013 $	2012 $

Note 12. Share capital

	2013 $	2012 $
476,160 Ordinary Shares fully paid of $1 each	476,160	476,160
Less: Equity raising costs	-	-
	476,160	**476,160**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	476,160	476,160
Shares issued during the year	-	-
At the end of the reporting period	**476,160**	**476,160**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2013 $	2012 $

Note 13. Accumulated losses

	2013 $	2012 $
Balance at the beginning of the reporting period	(728,180)	(677,289)
Profit/(loss) after income tax	(4,660)	(50,891)
Balance at the end of the reporting period	**(732,840)**	**(728,180)**

Note 14. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

	2013 $	2012 $
As per the statement of financial position	-	-
less Bank overdraft	(81,142)	(71,472)
As per the statement of cash flow	**(81,142)**	**(71,472)**

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

	2013 $	2012 $
Profit / (loss) after income tax	(4,660)	(50,891)
Non cash items		
- Depreciation	7,557	8,127
- Amortisation	-	(50)
Changes in assets and liabilities		
- (Increase) decrease in receivables	(2,459)	(1,475)
- (Increase) decrease in deferred tax asset	(3,140)	(19,855)
- Increase (decrease) in payables	9,499	(4,735)
- Increase (decrease) in provisions	(2,667)	5,251
Net cash flows from/(used in) operating activities	**4,130**	**(63,628)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $100,000 (2012: $100,000). This may be terminated at any time at the option of the bank. At 30 June 2013, $81,142 of this facility was used (2012: $71,472). Variable interest rates apply to these overdraft and bill facilities.

Note 15. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

Note 15. Related party transactions (continued)

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

	2013
Wayne David Caldow	2,202
Vlada Gajic	-
Luke Simon Munro	-
Stephen Edmund Ryan	-
Ashley Rohan Caldow	-
Kathryn Elizabeth Hausler	-
Austin David Grigg	2,202
Alison Jane Hausler	-
Francis Carberry	-
Ritchie Robertson Middleton	-
	4,404

(d) Key management personnel shareholdings

The number of ordinary shares in Edenhope & District Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2013	**2012**
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

Note 15. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

	2013	2012
Austin David Grigg	2,001	2,001
Alison Jane Hausler	1,000	1,000
Francis Carberry	-	-
Ritchie Robertson Middleton	2,000	2,000
Alison Hausler (appointed 24 January 2013)	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 16. Events after the reporting period

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

Note 17. Contingent liabilities and assets

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

Note 18. 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 Limited who account for 100% of the revenue (2012: 100%).

Note 19. Company details

The registered office & principle place of business is: 63 Elizabeth Street, Edenhope Victoria 3318.

	2013 $	2012 $

Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (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 profit / (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:

	2013 $	2012 $
Profit/(loss) after income tax expense	**(4,660)**	**(50,891)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**476,160**	**476,160**

Note 21. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the period.

Note 22. 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 as detailed in the accounting policies are as follows:

	Note	2013 $	2012 $
Financial assets			
Trade and other receivables	6	34,490	32,031
Total financial assets		**34,490**	**32,031**
Financial liabilities			
Trade and other payables	8	25,793	16,294
Bank overdraft	9	81,142	71,472
Loan & borrowings	11	483,320	497,120
Total financial liabilities		**590,255**	**584,886**

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.

Note 22. Financial risk management (continued)

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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and

counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

None of the assets of the company are past due (2012: 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 Limited and therefore credit risk is considered minimal.

(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.

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

In addition the company has established an overdraft facility of $100,000 with Bendigo and Adelaide Bank Limited. Financial liability and financial asset maturity analysis:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	8	25,793	25,793		
Bank overdraft	9	81,142*	81,142	–	–
Loans	11	-	-	–	–
Total expected outflows		**106,935**	**106,935**	**–**	**–**
Financial assets - realisable					
Trade and other receivables	6	34,490	34,490	–	–
Total anticipated inflows		**34,490**	**34,490**	**–**	**–**
Net (outflow)/inflow financial instruments		**(72,445)**	**(72,445)**	**–**	**–**

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	8	16,294	16,294		
Bank overdraft	9	71,472*	71,472	–	–
Loans	11	497,120	13,800	483,320	–
Total expected outflows		**584,886**	**101,566**	**483,320**	**–**
Financial assets - realisable					
Trade and other receivables	6	32,031	32,031	–	–
Total anticipated inflows		**32,031**	**32,031**	**–**	**–**
Net (outflow)/inflow financial instruments		**(552,855)**	**(69,535)**	**483,320**	**–**

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

Note 22. Financial risk management (continued)

(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 the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	2013 %	2012 %
Cash and cash equivalents (net of bank overdrafts)	2.90%	2.69%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(5,645)	(5,645)
	(5,645)	**(5,645)**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	(5,642)	(5,642)
	(5,642)	**(5,642)**

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.

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 11 to 33 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 2013 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.

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

Wayne David Caldow
Chairman

Signed at Edenhope on 10 September 2013.

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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INDEPENDENT AUDITOR'S 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 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the consolidated 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 consolidated entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Edenhope & District Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

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 $4,660 (2012: loss of $50,891). The directors have prepared a budget for the 2013/14 year which indicates a budgeted profit before tax of $3,275 will be recorded, it is noted that the company is projected to return to monthly profits from September 2013.

The directors have received a financial facility to assist with working capital requirements for the next twelve months. Without achieving the 2013/14 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

W. J. SINNOTT
Partner

Dated at Bendigo, 10 September 2013

Edenhope & District **Community Bank**® Branch
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