Annual Report 2014

Edenhope & District Financial Services Ltd

ABN 68 103 869 227

Edenhope & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2014

Welcome again to our Annual Report. It is now 11 years since we opened the doors to introduce the **Community Bank®** concept in this district. Another year seems to come and go ever so quickly. Business is still going ahead thanks to our staff lead by James, and the counter staff of Margie, Brett and Shayne. I would like to thank Brett for his great customer service he gave the branch. I wish him all the best in his farming pursuits.

We are now just over $50 million in business which gives us monthly profits. We still need more business to keep these profits increasing as, in any business today, costs are ever increasing. Agri-business through Bendigo and Adelaide Bank's wholly owned Rural Bank has been an important part of the portfolio of this branch. This year we have been able to give $8,000 back to the community from our market development fund.

Last August Alison Hausler, after a short but very vibrant term as Secretary, resigned due to her extra work commitments in her own business. Sara McDonnell accepted the position and is doing an excellent job. Sara is also targeting some younger, potential Board members which will be great for the Board's future. We also saw the retirement of Steven Ryan due to Steven and Tamara relocating to Bowen in Queensland. Steven was a founding member of the initial steering committee and a very strong promoter of the **Community Bank®** branch.

Thanks to the Board for their support and to the shareholders for their patience, support and commitment to this great institution we have in this district. It has been a long, hard road getting to profitability, but we must remember that the branch requires our business, and encourage anyone else we know to support us. The quicker the business grows, the sooner a dividend will come.

I thank the community for your support in me as Chairman and I urge you all as shareholders, to be ambassadors for our **Community Bank®** branch and concept and make the business grow for everyone.

W J Caldow

Wayne Caldow
Chairman – Edenhope & District Financial Services Limited

Manager’s report

For year ending 30 June 2014

Welcome to the 10th Annual Report of Edenhope & District Financial Services Limited and my second Manager’s Report.

The 2013/2014 financial year has seen Edenhope & District Financial Services Limited record its first substantial profit. The end of year net profit was $12,498. This is an increase of $20,298 from the previous financial year. This was achieved by increasing income by 3% and decreasing operating expenses by 2%. This is an excellent result for Edenhope & District Financial Services Limited and shows that we are going in the right direction.

Our portfolio size didn’t grow as much as we predicted. Total portfolio growth was $707,000. Total portfolio size is now $52.280 million. Slow portfolio growth can be contributed to the industry-wide trend of people using their deposit funds to pay off debt quicker. This is due to the low lending and deposit rates, and people seeing that they can save a lot on interest charges by paying down the debt quicker. When people use deposit funds to pay down debt, we get a double hit on our portfolio, as not only are we losing deposit funds, but also lending at the same time. Our lending activity has been excellent and we were able to settle $3.51 million worth of loans for the financial year.

I will go through more financial results at the Annual General Meeting.

I would like to thank the local staff, Shayne Williams, Margie Reid, and Brett McDonald for all of their hard work over the last 12 months. Brett resigned in May of this year and I would like to take this opportunity to thank Brett for all of his hard work and I wish him all the best for his future endeavours. Shayne and Margie have done a great job in picking up the extra hours and work load while we found a replacement. We appointed Dianne Saunders to the role of Full Time CSO at the end of June, however due to a pre-booked overseas holiday she was unable to begin until September. Dianne will bring a great deal of experience to us from her previous role as Branch Manager at CBA in Naracoorte.

Our extended branch network has given us great support to staff and also for our customers over the last 12 months. Damian Bryan (Agribusiness) has taken on a new role as Branch Manager at Rupanyup/Minyip **Community Bank®** branches. His replacement has not been announced as yet. He was assisted by Agribusiness Credit Officer Steve Wood, our Business Banking Manager Neil Short and we have recently had a new Financial Planner appointed in Tim Sinclair. Thank you to above people for all of your hard work over the past 12 months.

The Ballarat State Support Team of Bendigo and Adelaide Bank Limited, as always have been a great resource for our branch and Board over the past 12 months. The state support team has had a few changes this year. Simon Cornwell, who has been our Regional Manager for quite a few years, resigned. Simon put a lot of hard work into making Edenhope a success and we can’t thank him enough for this. Replacing Simon was Leanne Martin, and she has stepped into the role seamlessly, after being part of our region for many years. Others we must thank are, Meagan Edwards (Retail Sales Lead), David Gray (Retail Lending Manager), and Caius Ryan (Retail Operations Manager).

Before signing off I must thank the Board and especially Wayne Caldow (Chairman), Alison Hausler (outgoing Secretary). Sara McDonnell (Secretary), and Kate Hausler (Treasurer) for their time and dedication to helping run this branch and the support they have given me and the staff. Over the past year Steven Ryan

Manager’s report (continued)

resigned from the Board after 10 years of service. Thank you Steve for all of your hard work and passion shown while you were on the Board.

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.

For the Edenhope & District Community Bank® Branch to be able to support the community, we need the community to support us. So if you have any banking requirements, please contact the Edenhope & District **Community Bank®** Branch and we will be more than happy to help.

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

James Ackland

Branch Manager

Community Contributions

For year ending 30 June 2014

Edenhope & District Community Bank®branch provides the community with more than just quality banking services – it delivers employment opportunities for local people, retains local capital, is a local investment option for shareholders and provides a source of revenue for important community projects determined by the local community.

The below table outlines some of the donations the company has given back to the community throughout the financial year. Each year these contributions grow and with increased community support it allows us to give back more every year.

	$
Edenhope Little Athletics Club	500.00
Edenhope CFA- toward purchase of a new vehicle	2000.00
Edenhope Apsley Football Netball Club	2,079.00
West Wimmera Arts Society	1,200.00
Edenhope Bowles Club annual	400.00
Jumping Castle Kinder Fundraiser (value)	600.00
Edenhope Golf Club	200.00
Edenhope Youth Project	250.00
Operation Flinders Camp	250.00
Xarn O'Brien Hockey trip	100.00
Edenhope Ladies Auxilary	200.00
Edenhope College Student award	200.00
Johnny Mullagh Weekend	50.00
Lake Charlegrak Music Festival	500.00
Edenhope Anglican Op Shop	250.00
Henley on Lake Wallace	50.00
Total Contributions	**$8879.00**

Bendigo & Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank®** network, celebrating the opening of its 300th branch while also reaching $120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank®** network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian 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 doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank®** network has returned more than $20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank®** branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank®** network had achieved the following:

- Returns to community – $122.2 million
- **Community Bank®** branches – 305
- **Community Bank®** branch staff – more than 1,500
- **Community Bank®** company Directors – 1,900
- Banking business – $24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – $36.7 million.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the 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), tertiary education scholarships and Connected Communities Enterprises that provide **Community Bank®** companies with further development options.

Bendigo & Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

Bendigo and Adelaide Bank's vision is to be Australia's most 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 respectfully listen and respond to every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new **www.bendigobank.com.au** website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

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

The **Community Bank®** model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank®** branch.

Robert Musgrove
Executive Community Engagement

Directors' report

For financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were directors of Edenhope & District Financial Services Limited during or since the end ofthe financial year up to the date of this report:

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 Resigned 2014 **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 Removed 2013 **Director**		Primary Producer and Shearing Contractor for over 50 years in the Edenhope District
Alison Jane Hausler Resigned 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
Sara McDonnell Appointed 2013 **Director**	Bachelor of Management - Marketing & Tourism	Primary Producer and Transport Operator. Various managerial and secretarial roles within local community organisations and previously working in the newspaper Industry as an advertising executive
Rebecca Perrett Appointed 2014 **Director**	Bachelor of Science PGD Health & Safety Masters -Hlth Science	Health & Safety Manager for Rio Tinto Ltd for the last 4 years - previously National Health & Safety Manager for Halifax Bank of Scotland -3 years
Rae Stone Appointed 2014 **Director**		Administrative Officer with the West Wimmera Shire with over 22 years experience in business and finance, marketing and public relations

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

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

Directors' report (continued)

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

Review of operations

The profit of the company for the financial year after provision for income tax was $21,858 (2013 : Loss $4,660), which is a 569% increase as compared with the previous year.

The net liabilities of the company have decreased to $234,822 (2013: $256,680). The decrease is largely due to a $20,000 loan from another communtiy bank, being ' forgiven'.

Dividends

No dividends were proposed or paid during the financial 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.

		2014
Wayne David Caldow	(Rent on premises)	2,202
Vlada Gajic		-
Luke Simon Munro		-
Stephen Edmund Ryan		-
Ashley Rohan Caldow		-
Kathryn Elizabeth Hausler		-
Austin David Grigg	(Rent on premises)	367
Alison Jane Hausler		-
Francis Carberry		-
Richie Robertson Middleton		-

Directors' report (continued)

Remuneration report (continued)

Remuneration benefits and payments (continued)

		2014
Sara Jane McDonnell	(Secretarial honorarium)	2,700
Rebecca Perrett		-
Rae Stone		
		5,269

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 yearwere as follows:

Director	Board meetings #	Audit Committee meetings #
Wayne David Caldow	10 (11)	10 (11)
Kate Elizabeth Hausler	11 (11)	11 (11)
Sara Jane McDonnell	9 (11)	9 (11)
Vlada Gajic	2 (11)	2 (11)
Luke Simon Munro	6 (11)	6 (11)
Stephen Edmund Ryan	0 (5)	N/A
Ashley Rohan Caldow	9 (11)	N/A
Kathryn Elizabeth Hausler	10 (11)	N/A
Austin David Grigg	0 (2)	N/A
Alison Jane Hausler	2 (2)	N/A
Francis Carberry	7 (11)	N/A
Rebecca Perrett*	0 (0)	N/A
Rae Stone*	0 (0)	N/A

* Appointed July 2014

 # 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)

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

Sara McDonnell has been the Company Secretary of Edenhope & District Financial Services since September 2013. Sara is a mother of four and partner in the family farming enterprise. Sara has a Bachelor of Management with a major studies in Marketing and Tourism. She has many years experience in the newspaper industry as an Advertising Executive. More recently she has been working with community groups in managerial and secretarial roles.

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.

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 5 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
17 September 2014.

Wayne D Caldow
Director

Auditors independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

17 September 2014

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

Dear Directors,

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 2014 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.

Kathie Teasdale
Partner
Richmond Sinnott & Delahunty

Financial Statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2014

	Notes	2014 $	2013 $
Revenue	2	414,646	382,055
Employee benefits expense	3	(204,867)	(198,316)
Depreciation and amortisation expense	3	(7,490)	(7,557)
Finance costs	3	(22,427)	(25,397)
Rental expense		(11,011)	(11,012)
Other expenses		(128,634)	(143,343)
Operating profit/(loss) before charitable donations & sponsorships		**40,217**	**(3,570)**
Charitable donations and sponsorships		(8,072)	(4,230)
Profit/(loss) before income tax expense		**32,145**	**(7,800)**
Tax expense / (benefit)	4	10,287	(3,140)
Profit/(loss) for the year		**21,858**	**(4,660)**
Other comprehensive income		-	-
Total comprehensive income		**21,858**	**(4,660)**
Profit/(loss) attributable to members of the company		21,858	(4,660)
Total comprehensive income attributable to members of the company		**21,858**	**(4,660)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	19	4.59	(0.98)
- diluted for profit / (loss) for the year	19	4.59	(0.98)

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of financial position as at 30 June 2014

	Notes	2014 $	2013 $
Assets			
Current assets			
Trade and other receivables	6	33,981	34,490
Total current assets		**33,981**	**34,490**
Non-current assets			
Property, plant and equipment	7	35,465	31,952
Deferred tax asset	4	272,434	282,721
Total non-current assets		**307,899**	**314,673**
Total assets		**341,880**	**349,163**
Liabilities			
Current liabilities			
Trade and other payables	8	24,687	25,793
Loans and borrowings	9	70,011	86,483
Provisions	10	17,732	15,588
Total current liabilities		**112,430**	**127,864**
Non current liabilities			
Loans and borrowings	9	464,272	477,979
Total non current liabilities		**464,272**	**477,979**
Total liabilities		**576,702**	**605,843**
Net liabilities		**(234,822)**	**(256,680)**
Equity			
Issued capital	11	476,160	476,160
Accumulated losses	12	(710,982)	(732,840)
Total equity		**(234,822)**	**(256,680)**

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2014

	Notes	Issued capital $	Retained earnings $	Total equity $
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				
Shares issued during the year		-	-	-
Dividends paid or provided	20	-	-	-
Balance at 30 June 2013		**476,160**	**(732,840)**	**(256,680)**
Balance at 1 July 2013		**476,160**	**(732,840)**	**(256,680)**
Total comprehensive income for the year		-	21,858	21,858
Transactions with owners, in their				
capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	20	-	-	-
Balance at 30 June 2014		**476,160**	**(710,982)**	**(234,822)**

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		435,440	419,747
Payments to suppliers and employees		(391,909)	(390,220)
Interest paid		(22,427)	(25,397)
Net cash provided by/(used in) operating activities	**13**	**21,104**	**4,130**
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		9,091	-
Purchase of property, plant & equipment		(20,016)	-
Net cash flows from/(used in) investing activities		**(10,925)**	**-**
Cash flows from financing activities			
Proceeds / (Repayments) of borrowings		7,018	(13,800)
Net cash provided by/(used in) financing activities		**7,018**	**(13,800)**
Net increase/(decrease) in cash held		**17,197**	**(9,670)**
Cash and cash equivalents at beginning of financial year		(81,142)	(71,472)
Cash and cash equivalents at end of financial year	**9**	**(63,945)**	**(81,142)**

The accompanying notes form part of these financial statements

Notes to the financial statements

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

Edenhope & District 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 17 September 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for 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.

Economic Dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®**branches.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the branch managers and employees in banking, systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going Concern

The net liabilities of the company as at 30 June 2014 were $234,822 and the profit made for the year was $28,858 bringing accumulated losses to $710,982.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 September 2015. The overdraft has an approved limit of $100,000 and was drawn to $63,945 as at 30 June 2014.

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 directors will continue to review their growth forecast budget and cash flows throughout the 2014/15 year, and measure to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flow.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the Company and its operations for the 2014/15 financial year, and beyond through the provision of an overdraft facility on normal commercial terms and conditions to assist with working capital requirements. The support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

Based on the above, and after making additional enquiries, 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.

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.
Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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.

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

As fair value is a market-based measure, the closes equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued.)

The depreciation rates used for each class of depreciable asset are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

(e) Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits

Short-term employee benefits
Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) 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 Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within 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.

(k) 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, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(m) Trade and other payables

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

(n) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) New accounting standards for application in future periods

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

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

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

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

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

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

(o) New and amended accounting policies adopted by the company

Employee benefits
The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011)

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(o) New and amended accounting policies adopted by the company (continued)

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement
The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(p) Loans and borrowings

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) Comparative figures

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

(t) 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.

Employee benefits provision

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

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.

Note 1. Summary of significant accounting policies (continued)

(t) Critical accounting estimates and judgements (continued)

Impairment

The company assesses impairment at the end of each reporting period by evaluating 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.

(u) 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.

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(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

A financial asset (or group of financial assets) 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(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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.

	2014 $	2013 $
Note 2. Revenue and other income		
Revenue		
- services commissions	394,646	380,025
	394,646	**380,025**
Other revenue		
- debt forgiven	20,000	-
- other revenue	-	2,030
	20,000	**2,030**
Total revenue	**414,646**	**382,055**
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	173,748	167,819
- superannuation costs	15,654	14,847
- other costs	15,465	15,650
	204,867	**198,316**
Depreciation of non-current assets:		
- plant and equipment	7,490	7,557
	7,490	**7,557**
Finance costs:		
- Interest paid	22,427	25,397

Notes to the financial statements (continued)

	2014 $	2013 $
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% (2013: 30%)	9,644	(2,340)
Add tax effect of: - Adjustments in respect of current income tax of previous year - Utilisation of previously unrecognised carried forward tax losses - Non-deductible expenses	643	(800)
Current income tax expense	**10,287**	**(3,140)**
Income tax attributable to the entity	**10,287**	**(3,140)**
The applicable weighted average effective tax rate is	32%	40%
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	272,434	282,721
The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies		

Note 5. Auditors' remuneration

	2014 $	2013 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,300	4,150
- Share registry services	1,790	1,720
	6,090	**5,870**

Note 6. Trade and other receivables

	2014 $	2013 $
Current		
Trade debtors	30,233	31,010
Other assets	3,748	3,480
	33,981	**34,490**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans".

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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.

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	
2014						
Trade receivables	30,233	-	-	-	-	30,233
Other receivables	3,748	-	-	-	-	3,748
Total	**33,981**	**-**	**-**	**-**	**-**	**33,981**
2013						
Trade receivables	31,010	-	-	-	-	31,010
Other receivables	3,480	-	-	-	-	3,480
Total	**34,490**	**-**	**-**	**-**	**-**	**34,490**

Notes to the financial statements (continued)

	2014 $	2013 $
Note 7. Property, plant and equipment		
Leasehold improvements		
At cost	29,330	29,330
Less accumulated depreciation	(29,330)	(29,330)
	-	-
Plant and equipment		
At cost	73,416	75,058
Less accumulated depreciation	(37,951)	(43,106)
	35,465	**31,952**
Total written down amount	**35,465**	**31,952**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	31,952	39,509
Additions	20,016	-
Disposals	(9,091)	-
Depreciation expense	(7,490)	(7,557)
Profit on Sale	78	-
Balance at the end of the reporting period	**35,465**	**31,952**

Note 8. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	2,367	4,887
Other creditors and accruals	22,320	20,906
	24,687	**25,793**

Note 9. Loans & Borrowings

Current		
Bank overdraft	63,945	81,142
Lease Liability	6,066	5,341
	70,011	**86,483**

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

Non-Current		
Term loan	400,000	400,000
Lease liability	14,272	7,979
Unsecured loans from other community banks	50,000	70,000
	464,272	**477,979**

Notes to the financial statements (continued)

Note 9. Loans & Borrowings (continued)

The term loan of $400,000 was an interest only loan received from Bendigo and Adelaide Bank Ltd on 1 October 2009 with a variable interest rate currently at approximately 4.695%. 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 Banks. 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.One of these loans ($20,000) was declared by the lender as 'non-repayable' and so the debt has treated as being 'forgiven' and included as income in this financial year (see Note 2)

	2014 $	2013 $
Note 10. Provisions		
Employee benefits	**17,732**	**15,588**
Movement in employee benefits		
Opening balance	15,588	21,639
Additional provisions recognised	16,326	12,238
Amounts utilised during the year	(14,182)	(18,289)
Closing balance	**17,732**	**15,588**
Current		
Annual leave	12,735	11,594
Long-service leave	4,997	3,994
	17,732	**15,588**
Total provisions	**17,732**	**15,588**

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.

	2014 $	2013 $
Note 11. Share capital		
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 2014 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.

Notes to the financial statements (continued)

	2014	2013
	$	$

Note 12. Accumulated losses

Balance at the beginning of the reporting period	(732,840)	(728,180)
Profit/(loss) after income tax	21,858	(4,660)
Balance at the end of the reporting period	(710,982)	(732,840)

Note 13. Statement of cash flows

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

Profit / (loss) after income tax	21,858	(4,660)
Non cash items		
- Depreciation	7,490	7,557
- Net (profit) from sale of plant & equipment	(78)	-
- Debt forgiven	(20,000)	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	509	(2,459)
- (Increase) decrease in deferred tax asset	10,287	(3,140)
- Increase (decrease) in payables	(1,106)	9,499
- Increase (decrease) in provisions	2,144	(2,667)
Net cash flows from/(used in) operating activities	**21,104**	**4,130**

Credit standby arrangement and loan facilities
The company has a bank overdraft and commercial bill facility amounting to $100,000 (2013: $100,000). This may be terminated at any time at the option of the bank. At 30 June 2014, $63,945 of this facility was used (2013: $81,142). Variable interest rates apply to these overdraft and bill facilities.

14. 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.

(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.

Note 14. Related party transactions (continued)

		2014 $	2013 $
Wayne David Caldow (Chairman)	(Rent)	2,202	2,202
Austin David Grigg (Deceased)	(Rent)	367	2,202
Sara McDonnell	(Secretarial Honorarium)	2,700	-

(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:

Wayne David Caldow	1101	1,101
Vlada Gajic	-	-
Luke Simon Munro	3001	3,001
Stephen Edmund Ryan (Resigned 30th January 2014)	2401	2,401
Ashley Rohan Caldow	3,001	3,001
Kathryn Elizabeth Hausler	1,000	1,000
Austin David Grigg (Deceased 10th August 2013)	2,001	2,001
Alison Jane Hausler (Resigned 26th September 2013)	1,000	1,000
Francis Carberry	-	-
Ritchie Robertson Middleton	2,000	2,000
Alison Hausler	-	-
Sara Jane McDonnell (Appointed 26th September 2013)	-	-
Rebecca Perrett (Appointed 23rd July 2014)	-	-
Rae Stone (Appointed 23rd July 2014)	-	-

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 15. 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 16. Contingent liabilities and assets

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

Note 17. 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 (2013: 100%).

Notes to the financial statements (continued)

Note 18. Company details

The registered office and principle place of business is: 63 Elizabeth Street
Edenhope VIC 3318

	2014 $	2013 $
Note 19. 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.	4.59	(0.98)
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).	4.59	(0.98)
The following reflects the income and share data used in the basic and diluted earnings per share computations		
Profit/(loss) after income tax expense	**21,858**	**(4,660)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**476,160**	**476,160**

Note 20. Dividends paid or provided for on ordinary shares

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

Note 21. Leases

Finance lease commitments

Payable - minimum lease payments		
- no later than 12 months	6,066	5,341
- between 12 months and 5 years	17,186	10,683
- greater than 5 years	-	-
	23,252	**16,024**

The finance lease is for a motor vehicle. The lease expires at the conclusion of April 2018.

Notes to the financial statements (continued)

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	2014 $	2013 $
Financial assets			
Trade and other receivables	6	33,981	34,490
Total financial assets		**33,981**	**34,490**
Financial liabilities			
Trade and other payables	8	24,687	25,793
Borrowings	9	470,338	483,319
Bank overdraft	9	63,945	81,143
Total financial liabilities		**558,970**	**590,255**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial 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. 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 (2013: 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.

Notes to the financial statements (continued)

Note 22. Financial risk management (continued).

(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 Limited.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider there is any material risk the bank will terminate such facilities. The Bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

	Note	Total $		Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2014						
Financial liabilities due						
Trade and other payables	8	24,687		24,687	-	-
Bank overdraft	9	63,945	*	63,945	-	-
Loans and borrowings	9	470,338		6,066	464,272	-
Total expected outflows		**558,970**		**94,698**	**464,272**	-
Financial assets - realisable						
Trade and other receivables	6	33,981		33,981	-	-
Total anticipated inflows		**33,981**		**33,981**	**-**	**-**
Net (outflow)inflow on financial instruments		**(524,989)**		**(60,717)**	**(464,272)**	-
30 June 2013						
Financial liabilities due						
Trade and other payables	8	25,793		25,793	-	-
Bank overdraft	9	81,142	*	81,142	-	-
Loans and borrowings	9	483,320		5,341	477,979	-
Total expected outflows		**590,255**		**112,276**	**477,979**	**-**
Financial assets - realisable						
Trade and other receivables	7	34,490		34,490	-	-
Total anticipated inflows		**34,490**		**34,490**	**-**	**-**
Net (outflow)/inflow on						
financial instruments		**(555,765)**		**(77,786)**	**(477,979)**	

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

Notes to the financial statements (continued)

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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.
The financial instruments that primarily expose the company to interest rate risk are borrowings, and cash and cash equivalents.

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 2014		
+/- 1% in interest rates (interest expense)	(4,639)	(4,639)
	(4,639)	**(4,639)**
Year ended 30 June 2013		
+/- 1% in interest rates (interest expense)	(4,811)	(4,811)
	(4,811)	**(4,811)**

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 arms 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, as set out on pages 6 to 31 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 2014 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.

accordance with a resolution of the Board of Directors.

Wayne D Caldow
Director

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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 2014, the statement of profit or loss and other 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 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.

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 company's financial position as at 30 June 2014 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 modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net profit of $21,858 during the year ended 30 June 2014, further reducing the company's net liability to $234,822. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner

Edenhope & District **Community Bank®** Branch

63 Elizabeth Street, Edenhope VIC 3318

Phone: (03) 5585 1822 Fax: (03) 5585 1720

Cover photo taken by Christine Bull Photography

Franchisee: Edenhope & District Financial Services Limited

63 Elizabeth Street, Edenhope VIC 3318
Phone: (03) 5585 1348

ABN: 68 103 869 227

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