



annual report **2012**

Sorell & District
South East Districts Financial Services Ltd

ABN 11 068 049 178

South East Districts Financial Services Ltd – Chairman’s Report

Dear Shareholders,

Three years ago, we started the process of securing a **Community Bank®** branch to strengthen and support the community of Sorell and surrounding Districts. The process of seeking financial pledges, a feasibility study and capital raising, took the Steering Committee way outside of our normal comfort zones and experiences. However, it did highlight the amazing depth of commitment by so many, from all walks of life within our community. The experience and friendships gained during this time encouraged us to visualize the enormous potential that is possible from Bendigo Bank’s **Community Bank®** Department.

On the 10 November, 2011, our goal was achieved with the opening of our Sorell & District **Community Bank®** Branch. This day demonstrated just what can be achieved when you harness the combined strengths of many wonderful people within our district.

When we started this journey back in August 2009, the **Community Bank®** network around Australia had already returned \$50 million to support and strengthen their respective communities. That figure has now grown rapidly to over \$80 million.

Supporting us in our quest has been our dedicated staff including: Andrew, Louise, Amy, Natalie, Sandra and Cathy. They have brought a combination of banking experience and enthusiasm to our community venture, not just within the branch, but also at numerous community events and functions. Appreciation of the input and support from our staff, as well as the efforts of officials from Bendigo Bank State and National Offices cannot be overstated. Sincere thanks to you all. Special thanks must also go to our Bendigo Bank mentor throughout the entire process, Manager Community Strengthening, (Vic/Tas), Mr Tracy Wilson. His enthusiasm and encouragement nurtured and supported us throughout the entire project.

At the branch opening, we were very pleased to be able to distribute four community grants to the; Sorell Girl Guides, Midway Point Volunteer Fire Brigade, Sorell Storm Cheer Leaders and Levendale Primary School. These were the first of ongoing financial community support grants to be distributed from the success of our branch.

During the first seven months of operations, we remained on target to achieve our forecast growth. This has been despite ongoing uncertainties within the global financial system and an extremely flat economy within Tasmania. The staff, Board and shareholders should feel justifiably proud to have maintained the focus during this difficult economic period.

We have experienced increasing support for our **Community Bank®** branch from all sections of our district. This support is expected to accelerate as the community increasingly recognizes that our **Community Bank®** is well placed to provide effective solutions to their banking and finance needs. This in turn, will enable us to continue to contribute financially to local sports, other organisations and to community projects.

We are encouraged by the steady increases being recorded in Branch Deposits and Lending levels and also in the daily activity levels at our ATM and branch counter.

I would like to thank everyone who has continued to support this significant project since its inception and to the growing number of customers who are identifying the unquestionable ability of the **Community Bank®** network to make a significantly positive contribution to our district. I look forward to continuing to build on our success in the coming year.

A handwritten signature in black ink, appearing to read 'Kerry Vincent', with a stylized flourish at the end.

Kerry Vincent
Chairman

South East Districts Financial Services Ltd – Branch Manager’s Report

Dear Shareholders,

It’s not every day that you have the exciting experience of managing a new ultra modern branch in a new shopping complex, staffed with exuberant new staff to develop a new banking concept in a vibrant town like Sorell.

Working with such a passionate local board to develop our **Community Bank®** branch for the benefits of the Sorell community is proving to be a highly rewarding experience. Our staff has been involved with extensive training programmes provided by Bendigo Bank as well as participating in numerous community events to promote our presence. I cannot thank them enough for their attention to customer and community service.

Although we are presently experiencing difficult economic circumstances I am very positive about achieving forecast growth and targets as we move forward during the next 12 months.

It is encouraging to see how many of our shareholders and customers are reflecting on the benefits of having a **Community Bank®** branch and are acting as advocates to promote our branch and talking about what we can achieve in the district.

I look forward to continuing to develop our branch here in Sorell and thank everyone involved for the opportunity.

A handwritten signature in black ink, appearing to read 'L. Blake', followed by a horizontal line and a period.

Louise Blake
Acting Branch Manager

South East Districts Financial Services Limited

Financial Statements

as at

30 June 2012

South East Districts Financial Services Limited
ABN 50 147 950 178
Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

Directors

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

Kerry John Vincent

Chairman

Age: 52

Occupation: Business Owner

Kerry is the Proprietor of Rural Solutions Tasmania and Vincent's Garden and Outdoor Centre at Sorell, with an extensive client base in the local agricultural community. He is a Sorell Councillor and former President of the Sorell Rotary and was a founding member of the Business Council of Sorell. Before moving to Sorell he worked in rural services in northern Tasmania and was active in the Meander Valley Enterprise Centre and Westbury Working Together. Previously Kerry had managed PFD Food Service in Launceston for 7 years.

Anthony David Davis

Treasurer

Age: 54

Occupation: Accountant

Anthony worked for 18 years as Taxation Manager with Perpetual Trustees Tasmania Ltd before setting up in private practice as an Accountant in Sorell some 11 years ago and building a significant local client base. He has been on the Board of South East Community Care Inc. for the past seven years and is their present Treasurer. He is a Founding Member of the Business Council of Sorell and is a long-standing member and past president of the Sorell Lions Club. He holds a current Private Pilot license.

James Darren McIvor

Secretary

Age: 40

Occupation: Defence Operations Manager

James is the Operations Manager with the Compass Group, managing all Department of Defence facilities and soft services throughout Tasmania. James has been involved in Facilities Management and Project Management for over 15 years. He has held senior management roles in business and financial management for over 9 years and holds a Diploma in Business Management. His previous employers include the University of Tasmania, Bells Construction and Housing Tasmania. He has been a Committee Member of the Sorell RSL for 11 years, currently serving as Vice President.

Ricky Samuel Birch

Director

Age: 45

Occupation: Fire Management Officer

Ricky has worked extensively throughout the Forestry industry and is currently employed as a Forester and a Fire Management Officer. He has been Brigade Chief of the Runnymede Volunteer Fire Brigade for over 20 years and is on the Fire Management Committee of the Coal River Valley. He is fully accredited as a trainer/assessor with the Tasmanian Fire Service and the Tasmanian Forest Industries Training Board. He has been Chairman or President of several local groups and holds life membership with the Runnymede Cricket Club and Southern Cricket Association. He received an Australia Day Award (2010) for community leadership.

Janice Maree McConnon

Director

Age: 55

Occupation: Farmer

Janice is a farmer with extensive involvement in her local community. She is active in the Levensdale School Association and Hall Committee, organises local farmers forums, raises money for sporting groups and takes an active interest in local history and heritage. Janice is currently studying for a Diploma of Agriculture.

Kerry Gail Degrassi

Director

Age: 58

Occupation: Retired

Kerry has been a Sorell Councillor for 14 years, serving one term as Mayor. She was Founding President of Southern Beaches Regional Arts and Okines Community House. She has served as State and National President of the NAPCAN Foundation and served on the Advisory Council for the Commissioner for Children. She has been involved in grass roots community development for over 30 years and her name was added to the Tasmania Honour Roll of Women in 2008.

South East Districts Financial Services Limited
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Directors' Report

Peter Craig Dandeaux

Director (*Appointed 25 January 2012*)

Occupation: Human Resources, Industrial Relation Consultant
Age: 62

Craig is a self employed HR/IR consultant with more than 20 years' senior management experience in HR, Administration and Project Management roles. He and his wife moved to Tasmania in 2001 to work for the Pasminco Hobart Zinc Works Smelter. Craig has a Bachelor of Business Management from Uni SA. Previous roles include; High School Teacher, HR Australian Submarine Corp, Training and Development Pasminco Hobart Zinc Works Smelter.

Brian Keith Mitchell

Director (*Appointed 26 April 2012*)

Occupation: Media Consultant
Age: 44

Brian is currently a Media consultant. A former newspaper editor, political advisor, and a volunteer for the Richmond online Access centre. Brian has also been involved with several extensive areas including English/politics, journalism, public relations, publications, production and advertising.

Directors (continued)

John James Treasure

Director

Age: 39

Occupation: Farmer/Teacher

John is a lamb and beef producer residing in Runnymede. He is a director of a private agricultural company. John is also employed by the Tasmanian Education Department as a school teacher. John has been an active member in the community, playing football for Woodsdale and is a member of the Triabunna super rules team. He is a member of the Runnymede Volunteer Fire Brigade, Levensdale Hall Committee and is involved with the Levensdale School Association.

Christopher Glen Cusick

Director

Age: 21

Occupation: Butcher

Chris is a young man who is passionate about organising events and bringing the people of his local community together. This is reflected in his involvement with the local Hall Committee, the Dodges Ferry Football Club and the South East Field & Game Club. He is qualified as a butcher and hopes to establish himself in his own local business. He received the Regional Initiative Award in the 2010 Tasmania Young Achievers Award.

Paul Kevin Nylander MAICD

Director (*Resigned 29 November 2011*)

Age: 49

Occupation: Doctor

Paul is a General Practitioner, now consulting at Bellerive and Lauderdale, but was based in Sorell from 1988 to 2007, with many years as a Managing Partner. His current practice includes many clients from the Sorell region. He is Deputy Chairman of General Practice South, serving on the Finance Committee and the Executive Team, and has previously held positions on a number of other committees. Paul has a broad knowledge of local problems in the region and works closely with local people to identify issues and resolve them.

Gerard Mus

Director (*Resigned 26 April 2012*)

Age: 46

Occupation: Business Owner

Gerard owns and manages a private company which comprises a pest control business and a chicken broiler growing facility under contract with a national company. He spent nine years in the RAAF and served nine years as an aircraft engineer on the Prime Minister's aircraft. Gerard is an active member and past president of the Rotary Club of Sorell. He has also been on the boards of the Tasmanian Chicken Growers Association, Sorell Chamber of Commerce, Sorell Business Council and the Sorell Visitor Information Centre.

James Robert Bevis

Director (*Resigned 26 April 2012*)

Age: 42

Occupation: Insurance Broker

James is a Director of Insurance Solutions Tasmania Pty Ltd, a locally based insurance broking company employing seven local people. He is currently the President of the Business Council of Sorell Inc, a Director of TGC Management Co Ltd and the Captain of the Tasmania Golf Club. He is a qualified practicing insurance broker with 22 years experience.

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

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

South East Districts Financial Services Limited
ABN 50 147 950 178
Directors' Report

Company Secretary

The company secretary is James McIvor. James has been appointed to the position of secretary since the company was incorporated on 20 December 2010. James holds a Diploma in Business Management and Post Graduate Certificate IV in Facilities Management. He has been involved in Facilities Management and Project Management for over 15 years.

Principal Activities

The principal activities of the company during the course of the financial year were in establishing a **Community Bank®** branch to provide services under management rights pursuant to the franchise agreement with Bendigo and Adelaide Bank Limited. During the year the company issued a prospectus and successfully raised the minimum capital required to commence the franchise.

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

Operating Results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

| Year ended 30 June 2012 | Year ended 30 June 2011 |
|----------------------------|----------------------------|
| \$ | \$ |
| (130,870) | (1,693) |

Remuneration Report

No Director of the company receives remuneration for services as a company director or Committee member.

There are no Executives within the company whose remuneration is required to be disclosed.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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.

South East Districts Financial Services Limited
ABN 50 147 950 178
Directors' Report

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors Meetings

The number of directors meetings attended by each of the directors of the company during the year were:

| | Board Meetings | |
|---|-----------------------|-----------------|
| | <u>Eligible</u> | <u>Attended</u> |
| Kerry John Vincent | 11 | 11 |
| Anthony David Davis | 11 | 10 |
| James Darren McIvor | 11 | 9 |
| Ricky Samuel Birch | 11 | 9 |
| Janice Maree McConnon | 11 | 11 |
| James Robert Bevis (<i>Resigned 26 April 2012</i>) | 8 | 6 |
| Gerard Mus (<i>Resigned 26 April 2012</i>) | 8 | 8 |
| Christopher Glen Cusick | 11 | 9 |
| John James Treasure | 11 | 5 |
| Kerry Gail Degrassi | 11 | 7 |
| Paul Kevin Nylander (<i>Resigned 29 November 2011</i>) | 5 | 1 |
| Peter Craig Dandeaux (<i>Appointed 25 January 2012</i>) | 6 | 5 |
| Brian Keith Mitchell (<i>Appointed 26 April 2012</i>) | 2 | 1 |

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

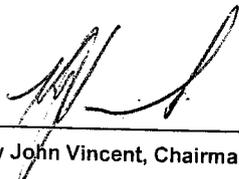
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the board of directors at Sorell, Tasmania on 12 September 2012.


Kerry John Vincent, Chairman

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of South East Districts Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.



David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 12 September 2012

South East Districts Financial Services Limited
ABN 50 147 950 178
Statement of Comprehensive Income
for the year ended
30 June 2012

| | <u>Notes</u> | 2012 \$ | 2011 \$ |
|--|--------------|--------------------------|--------------------------|
| Revenues from ordinary activities | 4 | 229,293 | - |
| Employee benefits expense | | (268,841) | - |
| Charitable donations, sponsorship, advertising and promotion | | (3,788) | - |
| Occupancy and associated costs | | (31,276) | - |
| Systems costs | | (20,886) | - |
| Depreciation and amortisation expense | 5 | (32,011) | - |
| General administration expenses | | (56,082) | (2,419) |
| | | <hr/> | <hr/> |
| Loss before income tax credit | | (183,591) | (2,419) |
| Income tax credit | 6 | 52,721 | 726 |
| | | <hr/> | <hr/> |
| Loss after income tax credit | | (130,870) | (1,693) |
| | | <hr/> | <hr/> |
| Total comprehensive income for the year | | (130,870) | (1,693) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Earnings per share (cents per share) | | | <u>c</u> |
| - basic for profit for the year | 21 | (15.09) | (5.70) |

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
ABN 50 147 950 178
Balance Sheet
as at 30 June 2012

| | <u>Notes</u> | 2012 \$ | 2011 \$ |
|--------------------------------------|--------------|-----------------------|-----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 378,638 | 794,050 |
| Trade and other receivables | 8 | 14,429 | 2,459 |
| Total Current Assets | | <u>393,067</u> | <u>796,509</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 212,884 | 828 |
| Intangible assets | 10 | 95,333 | - |
| Deferred tax assets | 11 | 53,447 | 726 |
| Total Non-Current Assets | | <u>361,664</u> | <u>1,554</u> |
| Total Assets | | <u>754,731</u> | <u>798,063</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 18,603 | 19,230 |
| Borrowings | 13 | 7,438 | - |
| Total Current Liabilities | | <u>26,041</u> | <u>19,230</u> |
| Non-Current Liabilities | | | |
| Borrowings | 13 | 14,095 | - |
| Total Non-Current Liabilities | | <u>14,095</u> | <u>-</u> |
| Total Liabilities | | <u>40,136</u> | <u>19,230</u> |
| Net Assets | | <u>714,595</u> | <u>778,833</u> |
| Equity | | | |
| Issued capital | 14 | 847,158 | 780,526 |
| Accumulated losses | 16 | (132,563) | (1,693) |
| Total Equity | | <u>714,595</u> | <u>778,833</u> |

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
ABN 50 147 950 178
Statement of Changes in Equity
for the year ended
30 June 2012

| | Issued Capital \$ | Accumulated Losses \$ | Total Equity \$ |
|--|----------------------------------|--------------------------------------|--------------------------------|
| Balance at 1 July 2010 | - | - | - |
| Total comprehensive income for the year | - | (1,693) | (1,693) |
| Transactions with owners in their capacity as owners: | | | |
| Shares issued during period | 814,100 | - | 814,100 |
| Costs of issuing shares | (33,574) | - | (33,574) |
| Dividends provided for or paid | - | - | - |
| Balance at 30 June 2011 | <u>780,526</u> | <u>(1,693)</u> | <u>778,833</u> |
| Balance at 1 July 2011 | <u>780,526</u> | <u>(1,693)</u> | <u>778,833</u> |
| Total comprehensive income for the year | - | (130,870) | (130,870) |
| Transactions with owners in their capacity as owners: | | | |
| Shares issued during period | 67,112 | - | 67,112 |
| Costs of issuing shares | (480) | - | (480) |
| Dividends provided for or paid | - | - | - |
| Balance at 30 June 2012 | <u>847,158</u> | <u>(132,563)</u> | <u>714,595</u> |

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
ABN 50 147 950 178
Statement of Cashflows
for the year ended
30 June 2012

| | <u>Notes</u> | 2012 \$ | 2011 \$ |
|---|--------------|-----------------------|-----------------------|
| Cash Flows From Operating Activities | | | |
| Receipts from customers | | 231,438 | - |
| Payments to suppliers and employees | | (407,075) | (707) |
| Interest received | | 28,492 | - |
| Net cash used in operating activities | 17 | <u>(147,145)</u> | <u>(707)</u> |
| Cash Flows From Investing Activities | | | |
| Payments for property, plant and equipment | | (229,400) | - |
| Payments for intangible assets | | (110,000) | - |
| Net cash used in investing activities | | <u>(339,400)</u> | <u>(828)</u> |
| Cash Flows From Financing Activities | | | |
| Proceeds from issues of shares | | 67,112 | 814,100 |
| Payment for share issue costs | | (17,512) | (18,515) |
| Repayment of borrowings | | 21,533 | - |
| Net cash provided by financing activities | | <u>71,133</u> | <u>795,585</u> |
| Net increase/(decrease) in cash held | | (415,412) | 794,050 |
| Cash and cash equivalents at the beginning of the financial year | | 794,050 | - |
| Cash and cash equivalents at the end of the financial year | 7(a) | <u><u>378,638</u></u> | <u><u>794,050</u></u> |

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
ABN 50 147 950 178
Notes to the Financial Statements
for the year ended
30 June 2012

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Sorell, Tasmania.

The branch operates 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®** branch 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.

South East Districts Financial Services Limited
ABN 50 147 950 178
Notes to the Financial Statements
for the year ended
30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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 manager and other employees in banking, management 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
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

South East Districts Financial Services Limited
ABN 50 147 950 178
Notes to the Financial Statements
for the year ended
30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. 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.

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

e) Cash and Cash Equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

South East Districts Financial Services Limited
ABN 50 147 950 178
Notes to the Financial Statements
for the year ended
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Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|--------------------------|----------------|
| - leasehold improvements | 40 years |
| - plant and equipment | 2.5 - 40 years |
| - furniture and fittings | 4 - 40 years |

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The establishment fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

Classification and subsequent measurement

(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 using the effective interest rate method.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

South East Districts Financial Services Limited
ABN 50 147 950 178
Notes to the Financial Statements
for the year ended
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Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) 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 the company are classified as finance leases. Finance leases are capitalised by recording 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 charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

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

n) Contributed Equity

Ordinary shares are 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.

o) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

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

South East Districts Financial Services Limited
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Notes to the Financial Statements
for the year ended
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Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 balance sheet.

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 2012 can be seen in the statement of comprehensive income.

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

South East Districts Financial Services Limited
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Notes to the Financial Statements
for the year ended
30 June 2012

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

South East Districts Financial Services Limited
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Notes to the Financial Statements
for the year ended
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Note 4. Revenue from Ordinary Activities

| | 2012 | 2011 |
|--|-------------|-------------|
| | \$ | \$ |
| Operating activities: | | |
| - services commissions | 94,166 | - |
| Total revenue from operating activities | 94,166 | - |
| Non-operating activities: | | |
| - interest received | 29,127 | - |
| - lease incentive (<i>landlord contribution to branch fit out</i>) | 106,000 | - |
| Total revenue from non-operating activities | 135,127 | - |
| Total revenues from ordinary activities | 229,293 | - |

Note 5. Expenses

| | | |
|-------------------------------------|--------|---|
| Depreciation of non-current assets: | | |
| - plant and equipment | 7,977 | - |
| - leasehold improvements | 9,367 | - |
| Amortisation of non-current assets: | | |
| - franchise agreement | 13,333 | - |
| - franchise renewal fee | 1,334 | - |
| | 32,011 | - |
| Bad debts | 189 | - |

Note 6. Income Tax Credit

The components of tax expense comprise:

| | | |
|--|----------|-------|
| - Current tax | - | - |
| - Future income tax benefit attributed to losses | (54,392) | (66) |
| - Movement in deferred tax | 1,671 | (660) |
| | (52,721) | (726) |

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows:

| | | |
|---|----------------|---------|
| Operating loss | (183,591) | (2,419) |
| Prima facie tax on loss from ordinary activities at 30% | (55,077) | (726) |
| Add tax effect of: | | |
| - non-deductible expenses | 4,400 | - |
| - timing difference expenses | (1,671) | 660 |
| - other deductible expenses | (2,044) | - |
| | (54,392) | (66) |
| Movement in deferred tax | 8 1,671 | (660) |
| | (52,721) | (726) |

Note 7. Cash and Cash Equivalents

| | | |
|--------------------------|---------|---------|
| Term Deposits | 161,925 | - |
| Cash at bank and on hand | 216,713 | 794,050 |
| | 378,638 | - |

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

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Notes to the Financial Statements
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Note 7.(a) Reconciliation of cash

| | | |
|--------------------------|----------------|----------------|
| Term Deposits | 161,925 | - |
| Cash at bank and on hand | 216,713 | 794,050 |
| | <u>378,638</u> | <u>794,050</u> |

Note 8. Trade and Other Receivables

| | 2012 | 2011 |
|--------------------------------|---------------|-------------|
| | \$ | \$ |
| Trade receivables | 11,823 | - |
| Other receivables and accruals | 2,606 | 2,459 |
| | <u>14,429</u> | <u>-</u> |

Note 9. Property, Plant and Equipment

| | | |
|-------------------------------|----------------|------------|
| <u>Plant and equipment</u> | | |
| At cost | 230,228 | 828 |
| Less accumulated depreciation | (17,344) | - |
| Total written down amount | <u>212,884</u> | <u>828</u> |

Movements in carrying amounts:

| | | |
|------------------------------|----------------|------------|
| <u>Plant and equipment</u> | | |
| Carrying amount at beginning | 230,228 | - |
| Additions | - | 828 |
| Disposals | - | - |
| Less: depreciation expense | (17,344) | - |
| Total written down amount | <u>212,884</u> | <u>828</u> |

Note 10. Intangible Assets

| | | |
|--------------------------------|---------------|----------|
| <u>Franchise fee</u> | | |
| At cost | 100,000 | - |
| Less: accumulated amortisation | (13,334) | - |
| | <u>86,666</u> | <u>-</u> |

| | | |
|---|--------------|----------|
| <u>Establishment/Renewal processing fee</u> | | |
| At cost | 10,000 | - |
| Less: accumulated amortisation | (1,333) | - |
| | <u>8,667</u> | <u>-</u> |

| | | |
|---------------------------|---------------|----------|
| Total written down amount | <u>95,333</u> | <u>-</u> |
|---------------------------|---------------|----------|

Note 11. Tax

| | | |
|---------------------------------|---------------|------------|
| <u>Deferred tax assets</u> | | |
| - accruals | 660 | 660 |
| - property, plant and equipment | 602 | - |
| - tax losses carried forward | 54,458 | 66 |
| | <u>55,720</u> | <u>726</u> |

| | | |
|-------------------------------|--------------|----------|
| <u>Deferred tax liability</u> | | |
| - accruals | 781 | - |
| - deductible prepayments | 1,492 | - |
| | <u>2,273</u> | <u>-</u> |

| | | |
|------------------------|---------------|------------|
| Net deferred tax asset | <u>53,447</u> | <u>726</u> |
|------------------------|---------------|------------|

| | | |
|---|---------------|------------|
| Movement in deferred tax charged to statement of comprehensive income | <u>52,721</u> | <u>726</u> |
|---|---------------|------------|

South East Districts Financial Services Limited
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Notes to the Financial Statements
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Note 12. Trade and Other Payables

| | | |
|------------------------------|---------------|---------------|
| Trade Creditors | 16,403 | - |
| Other creditors and accruals | 2,200 | 19,230 |
| | <u>18,603</u> | <u>19,230</u> |

Note 13. Borrowings

Current:

| | | |
|-----------------|--------------|----------|
| Lease liability | <u>7,438</u> | <u>-</u> |
|-----------------|--------------|----------|

Non-Current:

| | | |
|-----------------|---------------|----------|
| Lease liability | <u>14,095</u> | <u>-</u> |
|-----------------|---------------|----------|

Note 14. Contributed Equity

| | \$ | \$ |
|--|----------------|----------------|
| 814,100 ordinary shares fully paid (2011: 814,100) | 881,212 | 814,100 |
| Less: equity raising expenses | (34,054) | (33,574) |
| | <u>847,158</u> | <u>780,526</u> |

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

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Notes to the Financial Statements
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Note 15. Contributed Equity (continued)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is at 299. As at the date of this report, the company had 332 shareholders

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

| Note 16. Accumulated Losses | 2012 | 2011 |
|--|------------------|----------------|
| | \$ | \$ |
| Balance at the beginning of the financial year | (1,693) | - |
| Net loss from ordinary activities after income tax | (130,870) | (1,693) |
| Balance at the end of the financial year | <u>(132,563)</u> | <u>(1,693)</u> |

Note 17. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

| | | |
|--|------------------|--------------|
| Loss from ordinary activities after income tax | (130,870) | (1,693) |
| Non cash items: | | |
| - depreciation | 17,345 | - |
| - amortisation | 14,666 | - |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | (11,970) | (488) |
| - (increase)/decrease in other assets | (52,721) | (726) |
| - increase/(decrease) in payables | 16,405 | 2,200 |
| Net cashflows used in operating activities | <u>(147,145)</u> | <u>(707)</u> |

South East Districts Financial Services Limited
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Notes to the Financial Statements
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Note 18. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the company for:

| | | |
|-----------------------------|--------------|---------------|
| - audit and review services | 3,400 | 2,200 |
| - non audit services | 1,400 | 11,095 |
| - share registry | 3,993 | - |
| | <u>8,793</u> | <u>13,295</u> |

Note 19. Director and Related Party Disclosures

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

Kerry John Vincent
 Anthony David Davis
 James Darren McIvor
 Ricky Samuel Birch
 Janice Maree McConnon
 James Robert Bevis
 Gerard Mus
 Christopher Glen Cusick
 John James Treasure
 Kerry Gail Degrassi
 Paul Kevin Nylander

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

| Directors Shareholdings | 2012 | <u>2011</u> |
|--------------------------------|-------------|--------------------|
| Kerry John Vincent | 22,000 | 22,000 |
| Anthony David Davis | 10,000 | 10,000 |
| James Darren McIvor | 4,000 | 4,000 |
| Ricky Samuel Birch | 500 | 500 |
| Janice Maree McConnon | 2,000 | 2,000 |
| James Robert Bevis | 37,500 | 37,500 |
| Gerard Mus | 4,000 | 4,000 |
| Christopher Glen Cusick | 500 | 500 |
| John James Treasure | 1,000 | 1,000 |
| Kerry Gail Degrassi | 1,500 | 1,500 |
| Paul Kevin Nylander | 10,000 | 10,000 |

There was no movement in directors shareholdings during the year.

South East Districts Financial Services Limited
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Notes to the Financial Statements
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Note 20. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 21. Earnings Per Share

| | 2012 | 2011 |
|--|----------------------|----------------------|
| | \$ | \$ |
| (a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share | (130,870) | (1,693) |
| | <u>Number</u> | <u>Number</u> |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 867,515 | 29,681 |

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Sorell and surrounding districts, Tasmania pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

| <u>Registered Office</u> | <u>Principal Place of Business</u> |
|----------------------------------|------------------------------------|
| 4 Ollie Drive Sorell TAS 7172 | 4 Ollie Drive Sorell TAS 7172 |

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Notes to the Financial Statements for year ended 30 June 2012

Note 25. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

| Financial instrument | Floating interest rate | | Fixed interest rate maturing in | | | | Non interest bearing | | Weighted average effective interest rate | | |
|------------------------------|------------------------|---------|---------------------------------|-------------------|--------------|---------|----------------------|---------|--|--------|--------|
| | 2012 \$ | 2011 \$ | 1 year or less | Over 1 to 5 years | Over 5 years | 2012 \$ | 2011 \$ | 2012 \$ | 2011 \$ | 2012 % | 2011 % |
| Financial Assets | | | | | | | | | | | |
| Cash and cash equivalents | - | 794,050 | - | - | - | - | - | - | - | - | - |
| Receivables | - | - | - | - | - | 14,429 | 2,429 | - | - | N/A | N/A |
| Financial Liabilities | | | | | | | | | | | |
| Interest bearing liabilities | - | - | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Payables | - | - | - | - | - | 18,605 | 19,230 | - | - | N/A | N/A |

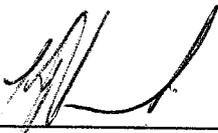
South East Districts Financial Services Limited
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Directors' Declaration

In accordance with a resolution of the directors of South East Districts Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Kerry John Vincent, Chairman

Signed on 9th of September 2012.

Independent auditor's report to the members of South East Districts Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of South East Districts Financial Services Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

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. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls relevant to the entity's preparation and presentation 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 entity'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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 have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of South East Districts Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of South East Districts Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



David Hutchings

Andrew Frewin Stewart

61 Bull Street Bendigo Vic 3550

Dated: 12 September 2012

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