



Annual Report 2014

South East Districts
Financial Services Limited

ABN 50 147 950 178

Chairman's Report 2014

I am pleased to report to you on the past 12-months' activity of Sorell & District **Community Bank®** Branch.

Some five years ago, with great enthusiasm, we began our mission to establish a locally owned **Community Bank®** branch in Sorell. Our vision was to provide competitive banking and associated services that would harness the wealth of our region and generate an income stream that could work to support the local community and associated sporting, cultural and social structures.

I am delighted to be able to say that we are on the threshold of achieving our vision.

The past year has not been without its challenges, but your Board of Directors and our extremely capable and friendly staff have worked hard to ensure that our branch is firmly on the path to achieve ongoing sustainability, success and profitability. We have been clearly focused on achieving our goals. Indeed, the performance of the branch is already ahead of the forecasts contained in our initial prospectus.

We continue to make encouraging progress towards profitability and this is a cause for celebration and optimism for shareholders, the branch and the wider Sorell and district community.

Already, this performance has enabled our **Community Bank®** branch to make a significant contribution to community organisations and activities. This is best exemplified by our participation in local events and functions including the Sorell and Dodges Ferry School Breakfast Clubs, the Richmond Fair, numerous branch fundraisers and barbecues, the South East Little Athletics, the junior soccer clubs, and Enviroweek to name but a few.

Our Sorell **Community Bank®** Branch, with the assistance of Bendigo Bank marketing funds, has also provided valuable financial support to many of our community organisations and initiatives. Some of those assisted include support for Beacon Foundation school traineeships, the Dunalley School kitchen, Dodges Ferry bicycle education, junior soccer and little athletics, Bravehearts child safety, the Orielson, Tea Tree, Runnymede and Primrose Sands Fire Brigades, and the Bream Creek animal nursery. In total, more than \$100,000 has been provided to assist these local initiatives and it goes without saying that the more we are able to grow our **Community Bank®** branch, the more we will be able to do in our community.

Today, support for the **Community Bank®** concept around Australia continues to grow with a network of more than 305 branches having already returned more than \$120 million to strengthen and support local communities.

This is an absolutely staggering figure and it is pleasing that through our operations, Sorell and the surrounding region is sharing in this.

I mentioned the challenging economic conditions now being faced by business, however, as a result of the efforts of your Directors, our management and staff and the excellent support received from the



community, the Sorell & District **Community Bank**[®] Branch is well-positioned for future growth and success. Indeed, the Sorell region itself continues to experience solid growth and this will enable our branch to continue its encouraging progress towards profitability, and position to provide a return on shareholders' investment.

Importantly, it will continue to allow us to provide much needed support, as well as competitive banking and allied services to our community.

I would like to extend my sincere thanks to our dedicated management and staff, under leadership of Louise Dine, and to Board Members, as well as our local shareholders and customers who have supported our rapid growth.

I believe our Sorell & District **Community Bank**[®] Branch has been embraced by the community because it is born of the community and it gives back to the community. That is our important point of difference and, in fact, it is why we exist.

We are **Bigger than a bank**. We are an investment in our community.

Kerry Vincent
Chairman

Branch Manager's report

As we approach our third birthday, it is timely to reflect on the year we have had and the successes we have achieved. I have been in the role as Branch Manager at Sorell for two years and am remarkably proud of the achievements we have made as a team.

I hope that as you read this report you have the same feeling of pride. Knowing that what we have come a long way in a relatively short period of time is nothing short of exceptional, however our journey has just begun.

In the last 12 months we have left a significant footprint within our community.

We have built and developed sustainable relationships with our local schools providing assistance with multiple projects throughout the year, the most significant being Sorell School's weekly breakfast club which now includes the opportunity to conduct school banking.

We have been able to provide defibrillator machines to four local volunteer fire brigades, as well as providing assistance with fundraisers on a number of occasions.

We have developed, built and strengthened relationships with many local sporting groups including, but not limited to South East District Little Athletics, Junior Soccer Clubs, and Dodges Ferry Football Club.

During the year, Amy Rayner, our Customer Relationship Manager commenced maternity leave and shortly after had a baby girl named Molly. Kane Hendy, our Customer Relationship Officer, stepped up to relieve Amy while she was on leave. Our Customer Service Officer, Cathy Curran has returned from Maternity Leave following the arrival of Chloe. Sandra Lange and Joanne Green have progressed significantly in their career growth and should be very proud of all they have achieved.

Our two school based trainees, Alissa and Marnii (16 and 17 years old) who are Rosny College students, joined us as year 10 Sorell High School students. The skills they have learnt and the experiences they have faced have set them both up to be valuable employees for whatever career path they decide. During the year, I have witnessed both Alissa and Marnii well outside their comfort zones. I am enormously proud of their efforts, all before they have reached the age of 18.

We started the last financial year with funds under management of \$50.6 million and have finished the year with footings of \$76.7 million.

While we are pleased with business to date, we still have significant work to do, in a very competitive environment. My team will continue to engage new and existing customers to help grow our business in order that we can make significant improvements to all areas of the wonderful community where we live and work.

In order to achieve this growth, we will continue to work with Bendigo and Adelaide Bank's wholly



owned subsidiary Rural Bank. We make a great team with Relationship Manager David Robertson who has assisted to meet the needs of our agricultural customers.

Garry Arnold, our Business Banking Manager will continue to work with us to service the needs of our small to medium enterprise clients for business lending, and to grow our business customer portfolio. Garry has been instrumental in the growth of our business to date.

We believe we provide an exceptional level of customer service and work hard to make banking with us as seamless as possible. I believe our business will continue to grow as a result of our existing customers advocating our business, by building relationships and through delivering quality financial products to our customers.

As community members who have invested in our business, we ask that you consider talking to your friends and family about how we can help them with their financial needs. Review your own needs and call in and see what we can do to help you achieve your own financial goals.

Thank you for your support!

Louise Dine
Branch Manager



Partners in success

Chartered Accountants

**South East Districts Financial Services
Limited**

Financial Statements

30 June 2014

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 2014.

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

Occupation: Business Owner/ Sorell Mayor

Qualifications, experience and expertise: 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 presently holds the position of Mayor. 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.

Special responsibilities: Chairman

Interest in shares: 16,002

Anthony David Davis

Treasurer

Occupation: Public Practising Accountant

Qualifications, experience and expertise: 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 13 years ago and building a significant local client base. He has been on the Board of South East Community Care Inc. for the past eleven 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.

Special responsibilities: Treasurer

Interest in shares: 10,000

Melinda Jane Reed

Secretary (*Appointed 23 July 2013*)

Occupation: Writer/ Editor

Qualifications, experience and expertise: Now a freelance writer/ editor and web publisher, Melinda enjoyed 26 years in public administration and corporate communication in state and national roles with the ATO and was a director of the CPS Credit Union 1997-2000. Melinda holds a Bachelor of Business (UTAS), a Graduate Diploma of Public Relations (Deakin) and is a member of the Public Relations Institute of Australia and the Society of Editors (Tasmania). Married with two sons, Melinda is chair of the Dodges Ferry School Association and member of the Coal River Valley, Sorell and Southern Beaches history societies, junior soccer and other local community groups.

Special responsibilities: Company Secretary

Interest in shares: Nil

Ricky Samuel Birch

Director

Occupation: Forester

Qualifications, experience and expertise: 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.

Special responsibilities: Chairman of the Marketing Committee

Interest in shares: 500

Janice Maree McConnon

Director

Occupation: Farmer

Qualifications, experience and expertise: Janice is a farmer with extensive involvement in her local community. She is Public Officer of Levendale Primary School Association, committee member of Levendale Hall, organises local farmer's forums, raises money for sporting groups and takes an active interest in local history and heritage. Janice holds a Diploma of Rural Business Management.

Special responsibilities: Nil

Interest in shares: 2,500

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

Directors (continued)

Kerry Gail Degrassi

Director

Occupation: Retired

Qualifications, experience and expertise: 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. On the Tasmanian Women's Council 5 years.

Special responsibilities: Nil

Interest in shares: 1,500

Brian Keith Mitchell

Director

Occupation: Media Consultant

Qualifications, experience and expertise: Brian is a Media consultant. A former newspaper editor, political advisor, and a volunteer for the Richmond Online Access centre. He has been a director since 2012 and an active member of the marketing committee. Brian holds a Bachelor of Arts with majors in Journalism and Politics and has also been involved with several extensive areas including English/politics, journalism, public relations, publications, production and advertising.

Special responsibilities: Member of the Marketing Committee

Interest in shares: Nil

Robert Bruce Forsyth

Director

Occupation: Retired

Qualifications, experience and expertise: Robert was a former manager-director of wholesale products with 20 years experience. Previously manager of a plastics company. Today he volunteers at Sorell Tourist Information Centre, helps out at Causeway Club, founding member of Municipal Officer Association 1988, licensed member of G.A.M.S, member of the Motor Home Club of Australia and member of Sorell R.S.L.

Special Responsibilities: Member of the Marketing Committee

Interest in shares: 21,000

Brett Anthony McDonald

Director (*Appointed 23 July 2013*)

Occupation: Proprietor - South East Tyre Centre

Qualifications, experience and expertise: Brett is the proprietor of South East Tyre Centre with an extensive customer base within the Sorell and surrounding district. He is also a Sorell Councillor and presently holds the position of Deputy Mayor.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Aaron Graham Millar

Director (*Appointed 29 April 2014*)

Occupation: Electrical Project Manager

Qualifications, experience and expertise: Aaron has worked in a number of areas within the electrical industry. Firstly as a Draftsman, then qualifying as an electrical engineer and finally completing his electrical trade certificate. He currently works for a large statewide Tasmanian owned electrical contractor. Aaron is Brigade Chief of the Dunalley volunteer Fire Brigade and works after hours as a training instructor for the Tasmanian Fire Service.

Special Responsibilities: Nil

Interest in Shares: 5,000

Sean Mitchell Vincent

Director (*Appointed 24 June 2014*)

Occupation: Student

Sean's part time occupations include being Rural Store Hand and a Restaurant Manager. Both of these are based in Sorell giving him opportunities to meet and communicate with the wider community. He is involved in the Rotary Club of Sorell, South East Basketball Association, Clifton Surf Life Saving Club and communications with Southern Business Group. This allows for a wide range of Connections throughout the extended community. He is currently in his fourth year of university where he studies Criminology, Sociology, Human Resource Management, Marketing and Law.

Special Responsibilities: Member of the Marketing Committee

Interest in Shares: Nil

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

Directors (continued)

Christopher Glen Cusick

Director (*Resigned 24 June 2014*)

Occupation: Butcher

Qualifications, experience and expertise: 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.

Special responsibilities: Nil

Interest in shares: 500

James Darren McIvor

Secretary (*Resigned 31 March 2014*)

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 12 years. James is married with two young children.

Special responsibilities: Secretary

Interest in shares: 4,000

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

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

Company Secretary

The company secretary is Melinda Reed. Melinda was appointed to the position of secretary on 31 March 2014.

Melinda is now a writer and editor. She has 26 years experience in public administration and corporate communication and was a director of the CPS Credit Union between 1997 and 2000. She holds a bachelor of business and is involved in many local community groups.

Principal Activities

The principal activities of the company during the financial year were facilitating **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.

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	Year ended
30 Jun 14	30 Jun 13
\$	\$
(148,658)	(333,976)

Remuneration report

All directors of the company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

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

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Kerry John Vincent	16,002	-	16,002
Anthony David Davis	10,000	-	10,000
Melinda Jane Reed (Appointed 23 July 2013)	-	-	-
Ricky Samuel Birch	500	-	500
Janice Maree McConnon	2,500	-	2,500
Kerry Gail Degrassi	1,500	-	1,500
Brian Keith Mitchell	-	-	-
Robert Bruce Forsyth	21,000	-	21,000
Brett Anthony McDonald (Appointed 23 July 2013)	-	-	-
Aaron Graham Millar (Appointed 29 April 2014)	5,000	-	5,000
Sean Mitchell Vincent (Appointed 24 June 2014)	-	-	-
Christopher Glen Cusick (Resigned 24 June 2014)	500	-	500
James Darren McIvor (Resigned 31 March 2014)	4,000	-	4,000

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

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

Events since 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.

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.

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

Directors' meetings

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

	Board Meetings	
	Attended	
	<i>Eligible</i>	<i>Attended</i>
Kerry John Vincent	11	11
Anthony David Davis	11	10
Melinda Jane Reed (Appointed 23 July 2013)	10	10
Ricky Samuel Birch	11	9
Janice Maree McConnon	11	11
Kerry Gail Degrossi	11	11
Brian Keith Mitchell	11	7
Robert Bruce Forsyth	11	8
Brett Anthony McDonald (Appointed 23 July 2013)	10	6
Aaron Graham Millar (Appointed 29 April 2014)	2	2
Sean Mitchell Vincent (Appointed 24 June 2014)	1	1
Christopher Glen Cusick (Resigned 24 June 2014)	11	1
James Darren McIvor (Resigned 31 March 2014)	8	2

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 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 board 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Sorell, Tasmania on 29 August 2014.



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, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.



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

Dated: 29 August 2014

South East Districts Financial Services Limited
ABN 50 147 950 178
Statement of Comprehensive Income
for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue from ordinary activities	4	478,582	305,137
Employee benefits expense		(373,066)	(340,279)
Charitable donations, sponsorship, advertising and promotion		(12,367)	(6,093)
Occupancy and associated costs		(70,755)	(77,138)
Systems costs		(36,030)	(36,320)
Depreciation and amortisation expense	5	(44,185)	(42,788)
General administration expenses		(90,837)	(83,048)
		<hr/>	<hr/>
Loss before income tax credit		(148,658)	(280,529)
Income tax credit	6	-	(53,447)
		<hr/>	<hr/>
Loss after income tax credit		(148,658)	(333,976)
		<hr/>	<hr/>
Total comprehensive income for the year		(148,658)	(333,976)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for loss attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	18	(16.87)	(38.50)

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 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	6,117	131,440
Trade and other receivables	8	21,146	10,965
Total Current Assets		<u>27,263</u>	<u>142,405</u>
Non-Current Assets			
Property, plant and equipment	9	171,265	193,450
Intangible assets	10	51,334	73,333
Total Non-Current Assets		<u>222,599</u>	<u>266,783</u>
Total Assets		<u>249,862</u>	<u>409,188</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	9,028	13,142
Borrowings	12	7,439	7,439
Total Current Liabilities		<u>16,467</u>	<u>20,581</u>
Non-Current Liabilities			
Borrowings	12	1,434	7,988
Total Non-Current Liabilities		<u>1,434</u>	<u>7,988</u>
Total Liabilities		<u>17,901</u>	<u>28,569</u>
Net Assets		<u>231,961</u>	<u>380,619</u>
Equity			
Issued capital	13	847,158	847,158
Accumulated losses	14	(615,197)	(466,539)
Total Equity		<u>231,961</u>	<u>380,619</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 2014

	Issued capital \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2012	847,158	(132,563)	714,595
Total comprehensive income for the year	-	(333,976)	(333,976)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	847,158	(466,539)	380,619
Balance at 1 July 2013	847,158	(466,539)	380,619
Total comprehensive income for the year	-	(148,658)	(148,658)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	847,158	(615,197)	231,961

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
ABN 50 147 950 178
Statement of Cash Flows
for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		528,208	351,046
Payments to suppliers and employees		(648,398)	(600,346)
Interest received		1,439	10,943
Interest paid		(18)	(1,381)
Net cash used in operating activities	15	<u>(118,769)</u>	<u>(239,738)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,354)
Net cash provided used in investing activities		<u>-</u>	<u>(1,354)</u>
Cash flows from financing activities			
Repayment of borrowings		(6,554)	(6,106)
Net cash used in financing activities		<u>(6,554)</u>	<u>(6,106)</u>
Net decrease in cash held		(125,323)	(247,198)
Cash and cash equivalents at the beginning of the financial year		131,440	378,638
Cash and cash equivalents at the end of the financial year	7(a)	<u>6,117</u>	<u>131,440</u>

The accompanying notes form part of these financial statements

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 amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

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®** branch 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

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
- sales techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern

The net assets of the company as at 30 June 2014 were \$231,961 and the loss made for the year was \$148,658, bringing accumulated losses to \$615,197.

In addition:	\$
Total assets were	249,862
Total liabilities were	17,901
Operating cash outflows were	118769

There was a 46% decrease in the loss recorded for the financial year ended 30 June 2014 when compared to the prior year.

The company meets its day to day working capital requirements through its cash reserves and with an overdraft facility (refer note 7). The overdraft has an approved limit of \$50,000 but was undrawn as at 30 June 2014.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 5. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Note 1. Summary of significant accounting policies (continued)

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 benefits 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 (i.e. '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 (i.e. '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 and February 2013 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 (i.e. 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.

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

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.

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 are 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 renewal processing 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.

Note 1. Summary of significant accounting policies (continued)

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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

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

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.

Note 1. Summary of significant accounting policies (continued)

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

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.

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.

Note 2. Financial risk management (continued)

(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:

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 where 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 comprehensive income.

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

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. There is therefore 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.

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Note 3. Critical accounting estimates and judgements (continued)

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.

Note 4. Revenue from ordinary activities	2014	2013
	\$	\$
Operating activities:		
- services commissions	477,142	294,194
Total revenue from operating activities	<u>477,142</u>	<u>294,194</u>
Non-operating activities:		
- interest received	1,440	10,943
Total revenue from non-operating activities	<u>1,440</u>	<u>10,943</u>
Total revenues from ordinary activities	<u><u>478,582</u></u>	<u><u>305,137</u></u>

	2014	2013
	\$	\$
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	10,591	11,312
- leasehold improvements	11,594	9,476
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise renewal fee	20,000	20,000
	<u>44,185</u>	<u>42,788</u>
Finance costs:		
- interest paid	<u>18</u>	<u>1,381</u>
Bad debts	<u>276</u>	<u>237</u>
Note 6. Income tax credit		
The components of tax expense comprise:		
- Future income tax benefit attributable to losses	(38,393)	(78,801)
- Movement in deferred tax	(626)	(199)
- Tax losses not brought to account	39,019	79,000
- Previous periods deferred tax benefit written back	-	(53,447)
	<u>-</u>	<u>(53,447)</u>
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating loss	(148,658)	(280,529)
Prima facie tax on loss from ordinary activities at 30%	(44,597)	(84,159)
Add tax effect of:		
- non-deductible expenses	6,600	6,600
- timing difference expenses	626	801
- other deductible expenses	(1,022)	(2,043)
	<u>(38,393)</u>	<u>(78,801)</u>
Movement in deferred tax	(626)	(199)
Tax losses not brought to account	39,019	79,000
Write off of benefit brought to account	-	(53,447)
	<u>-</u>	<u>(53,447)</u>
Income tax losses		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	<u>171,651</u>	<u>133,258</u>
Note 7. Cash and cash equivalents		
Cash at bank and on hand	6,117	7,255
Term deposits	-	124,185
	<u>6,117</u>	<u>131,440</u>

The Overdraft Variable Other Residential Secured Overdraft facility limit is currently \$50,000. This is expected to increase to \$100,000 as at the 31 December 2014. The first six months of the overdraft will be interest free. Once this six months is up the interest rate will be 4.705% which will vary from time to time.

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	2014 \$	2013 \$
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	6,117	7,255
Term deposits	-	124,185
	<u>6,117</u>	<u>131,440</u>
 Note 8. Trade and other receivables		
Trade receivables	14,914	9,288
Other receivables and accruals	1,945	1,677
Prepayments	4,287	-
	<u>21,146</u>	<u>10,965</u>
 Note 9. Property, plant and equipment		
Plant and equipment		
At cost	43,621	43,621
Less accumulated depreciation	(21,967)	(14,329)
	<u>21,654</u>	<u>29,292</u>
 Leasehold improvements		
At cost	164,334	164,334
Less accumulated depreciation	(30,437)	(18,843)
	<u>133,897</u>	<u>145,491</u>
 Motor Vehicle		
At cost	23,627	23,627
Less accumulated depreciation	(7,913)	(4,960)
	<u>15,714</u>	<u>18,667</u>
 Total written down amount	<u>171,265</u>	<u>193,450</u>
 Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	29,292	37,072
Additions	-	579
Disposals	-	-
Less: depreciation expense	(7,638)	(8,359)
Carrying amount at end	<u>21,654</u>	<u>29,292</u>
 Leasehold improvements		
Carrying amount at beginning	145,491	154,192
Additions	-	775
Disposals	-	-
Less: depreciation expense	(11,594)	(9,476)
Carrying amount at end	<u>133,897</u>	<u>145,491</u>
 Motor Vehicle		
Carrying amount at beginning	18,667	21,620
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,953)	(2,953)
Carrying amount at end	<u>15,714</u>	<u>18,667</u>
 Total written down amount	<u>171,265</u>	<u>193,450</u>

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Note 10. Intangible assets	2014	2013
	\$	\$
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(5,333)	(3,333)
	<u>4,667</u>	<u>6,667</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(53,333)	(33,334)
	<u>46,667</u>	<u>66,666</u>
Total written down amount	<u>51,334</u>	<u>73,333</u>

Note 11. Trade and other payables

Trade creditors	5,360	10,692
Other creditors and accruals	3,668	2,450
	<u>9,028</u>	<u>13,142</u>

Note 12. Borrowings

Current:

Lease liability	Note 16	7,439	7,439
		<u>7,439</u>	<u>7,439</u>

Non-Current:

Lease liability	Note 16	1,434	7,988
		<u>1,434</u>	<u>7,988</u>

The lease is a chattel mortgage for a 2011 Nissan Dualis. The contract is for a 4 year term ending on 26 September 2015, with an implicit interest rate of 7.0999%.

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Note 13. Contributed equity	2014	2013
	\$	\$
814,100 ordinary shares fully paid (2013: 814,100)	881,212	881,212
Less: equity raising expenses	(34,054)	(34,054)
	<u>847,158</u>	<u>847,158</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®** branch 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 2001*.

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 299. As at the date of this report, the company had 330 shareholders.

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Note 13 Contributed equity (continued)

Prohibited shareholding interest (continued)

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 14. Accumulated losses	2014	2013
	\$	\$
Balance at the beginning of the financial year	(466,539)	(132,563)
Loss from ordinary activities after income tax	(148,658)	(333,976)
Balance at the end of the financial year	<u>(615,197)</u>	<u>(466,539)</u>

Note 15. Statement of cash flows

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

Loss from ordinary activities after income tax	(148,658)	(333,976)
Non cash items:		
- depreciation	22,185	20,788
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- increase in receivables	(10,181)	3,464
- decrease in other assets	-	53,447
- decrease in payables	(4,115)	(5,461)
Net cash flows used in operating activities	<u>(118,769)</u>	<u>(239,738)</u>

South East Districts Financial Services Limited
ABN 50 147 950 178
Notes to the Financial Statements
for the year ended 30 June 2014

Note 16. Leases	2014	2013
	\$	\$
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	7,439	7,439
- between 12 months and 5 years	1,434	8,873
- greater than 5 years	-	-
Minimum lease payments	<u>7,439</u>	<u>7,439</u>
Less future finance charges	1,434	7,988
Present value of minimum lease payments	<u><u>8,873</u></u>	<u><u>15,427</u></u>

The lease is a chattel mortgage for a 2011 Nissan Dualis. The contract is for a 4 year term ending on 26 September 2015, with an implicit interest rate of 7.0999%.

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	63,822	61,098
- between 12 months and 5 years	90,414	154,236
- greater than 5 years	-	-
	<u>154,236</u>	<u>215,334</u>

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Note 17. Auditor's remuneration

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

- audit and review services	3,850	3,850
- share registry services	1,500	3,020
- non audit services	1,925	1,550
	<u>7,275</u>	<u>8,420</u>

Note 18. Earnings per share

	2014	2013
	\$	\$
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(148,658)	(333,976)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	881,212	881,212

Note 19. Events occurring after the reporting date

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

Note 20. Contingent liabilities and contingent assets

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

Note 21. 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 22. 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:

Registered Office
4 Ollie Drive
Sorell TAS 7172

Principal Place of Business
4 Ollie Drive
Sorell TAS 7172

Note 23. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	6,117	7,255		124,185	-	-	-	-	-	-	2.63	4.34
Receivables	-	-	-	-	-	-	-	-	17,120	10,965	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	9,028	13,142	N/A	N/A

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 econ

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014	2013
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	61	73
Decrease in interest rate by 1%	61	73
Change in equity		
Increase in interest rate by 1%	61	73
Decrease in interest rate by 1%	61	73

South East Districts Financial Services Limited
ABN 50 147 950 178
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 2014 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 the 29th of August 2014.

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

Report on the financial report

I have audited the accompanying financial report of South East Districts Financial Services Limited, which comprises the balance sheet as at 30 June 2014, 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

My responsibility is to express an opinion on the financial report based on the audit. I conducted the audit in accordance with Australian Auditing Standards. These auditing standards require that I 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 my 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, I 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.

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

I 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 my understanding of the company's financial position and of its performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In my 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 2014 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

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of South East Districts Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



David Hutchings

Andrew Frewin Stewart

61 Bull Street Bendigo Vic 3550

Dated: 29 August 2014

Community support 2013-14

Bream Creek Farmers Market
Bream Creek Show Society
Claude the Mower Man for Bravehearts
Dodges Ferry Junior Soccer Club
Dodges Ferry Primary School bike education
Dodges Ferry Primary School Bravehearts session
Dunalley Primary School Association
Eaglehawk Neck Fair
Fight Cancer Foundation (Footy Colours Day)
Forcett Hot Rod Society
Give Me 5 For Kids (Royal Hobart Hospital)
Lions Club of Sorell
Midway Point Volunteer Fire Brigade
Nugent v Bream Creek Football Carnival
Okines Community House Breakfast Club
Orielson Volunteer Fire Brigade
Orielson Hall Committee
Primrose Sands Community Hall
Primrose Sands Volunteer Fire Brigade
Richmond United Junior Soccer Club
Richmond Village Fair
Richmond Volunteer Fire Brigade
Runnymede Volunteer Fire Brigade
Salvation Army Carlton Christmas Lunch
Sophia's Story
Sorell & District 'Paddock to Market' Farmers Night
Sorell School Bravehearts sessions
Sorell School Breakfast Club
Sorell School Grade 10 interstate trip
South East Districts Little Athletics Centre
South East United FC
Starlight Children's Foundation
St Johns School Fair
Tasmanian Regional Arts
Tea Tree Volunteer Fire Brigade
Woodsdale Football Club



Sorell & District **Community Bank**[®] Branch
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(next to Australia Post)
12 Cole Street
Sorell TAS 7172
Phone: (03) 6269 2889
Fax: (03) 6269 2878

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ABN 50 147 950 178

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