



Annual Report 2015

South East Districts
Financial Services Limited
ABN 50 147 950 178

Sorell & District **Community Bank**[®] Branch

Chairman's report 2015

I am proud to reflect on another year where our customer relationships and financial footprint far exceed prospectus and budget expectations.

Our staff and directors continue to promote the benefits of banking with our **Community Bank®** branch, banking that is retaining local wealth in our community as well as building lasting local relationships and strengthening community organisations.

Unprecedented low interest rates have made retail banking extremely competitive and required us all to take a significantly longer view than anyone predicted when our company formed just on five years ago.

Thank you to all our customers and shareholders for your ongoing support, and especially during a period of record low returns.

Continued growth of **Community Bank®** branches has ongoing advantages for our **Community Bank®** company as part of the national Bendigo Bank network, the fifth largest bank in Australia.

The opening of the Nubeena & Tasman **Community Bank®** Branch in November 2014 had a small, short term impact on our financial footprint. Some Tasman Peninsula customers moved their banking to the new branch but it is wonderful to see the **Community Bank®** network continuing to expand in Tasmania.

Sorell & District **Community Bank®** Branch is born of the community and gives back to the community.

We are delighted to have continued our support for local organisations including:

- the colourful upgrade of the Bream Creek Show's Animal Nursery with Bream Creek Show Society and Sorell School Farm
- local sporting opportunities through South East Districts Little Athletics Centre, South East Suns Netball Club, South East United FC, Dodges Ferry, Richmond and Sorell Junior Soccer and other clubs
- Carlton Park Surf Life Saving Club and local Volunteer Fire Brigades
- Levendale community plans for a new future for their local school
- breakfast clubs at Okines Community House and Sorell School
- exhibitions by Southern Beaches Regional Arts
- Richmond Village Fair, local school fairs and end of year awards

You can see a full listing of our community investments for 2014/15 at the end of this report.

As we approach our **Community Bank®** branch's 5th birthday in 2016 it's fantastic to see ongoing growth in the Sorell region, growth that will bring sustained profitability for our branch and long term financial as well as social returns for our shareholders.

These are exciting times for our customers, shareholders, directors and staff as we look forward to building on our community investments even further in the coming years.



Kerry Vincent
Chairman

Branch Manager's report 2015

As we approach Sorell & District **Community Bank®** Branch's 4th birthday, I am pleased to report that our business has continued to grow at a rate in excess of that expected, with total business on our books of \$83.4 million.

We have 1,748 customers, an increase of 27.4% on last year. Over the counter transactions have increased to 20,421 an increase of 7.9% during the last 12 months.

Our deposits total \$32.1 million and our lending portfolio sits at \$51.3 million, thanks to the assistance of Garry Arnold from the Business Banking Unit and David Robertson from Rural Bank.

This continued growth confirms the support of the community for "their **Community Bank®** branch", but also gives us confidence going forward. The positive manner in which our **Community Bank®** branch has been accepted by the community goes to show that there is still a need for good old fashioned, face-to-face banking that allows you to choose the way banking services are provided to you. Where you can build a relationship with your **Community Bank®** branch and your banking supports your community.

The results we have achieved are due to a great deal of hard work, passion and dedication by a great team of staff and I would like to acknowledge and thank our branch staff for their commitment and on-going support.

Our staff have developed their skills and we have had some changes. This year we welcomed Peter who came from our Hobart Branch and who holds six years' banking experience. Lyn has joined us from the Rosny branch with seven years' experience. Lyn is local to the area and already knows many of our customers.

Moving forward we will continue to connect with our existing customer base to grow our business, as well as focusing on strong campaigns and community events throughout the year to market our available products and services to attract new business.

I would like to thank the Board of Directors for their support and guidance over the past 12 months. They give freely of their own time for the benefit of our community. Our Board is committed to deliver the best possible outcomes for our community and it has been enjoyable working together during this period of continued growth of our business.

Our existing customers continue to advocate for us, and we hope that you as shareholders do too, as we work toward the continued future success of Sorell & District **Community Bank®** Branch.



Louise Dine
Branch Manager



South East Districts Financial Services Limited

Financial Statements

30 June 2015

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 2015.

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. A Sorell Councillor and Mayor, Kerry also serves on the Southern Tasmanian Councils Authority governance and infrastructure committees. He is a board member of South East Community Care; Sorell Rotary member and past president; co-chairman of Sorell & Tasman Affected Areas Committee; chairman of the South East Regional Development Authority, South East Trade Training Centres and the Regional Community Learning & Development Centre at Levendale.

Special responsibilities: Chairman

Interest in shares: 22,000

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 15 years ago and building a significant local client base. He has been on the Board of South East Community Care Inc for the past 12 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

Occupation: Writer/ Editor

Qualifications, experience and expertise: Now a freelance writer, editor and publisher, Melinda had 26 years in public administration and corporate communication in state and national roles with the Australian Taxation Office and was a director of 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 (Tas). Melinda chairs Okines Community House management committee and is an active member of local historical societies 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 an accredited trainer/assessor within the Forest Industries and Tasmania Fire Service. He is board member of Regional Community Learning and Development Centre Inc, board member of South East Trade Training Centres, Brigade Chief of Runnymede Volunteer Fire Brigade, a member of Sorell School Association and Runnymede Cricket Club committee where he is a life member.

Special responsibilities: Board Vice-chair and Chair 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. A board member of South East Community Care, a former Chair and Public Officer of Levendale Primary School Association, member of Levendale Hall Association, organises local farmers 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

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Directors' Report

Directors (continued)

Kerry Gail Degrassi
Director

Occupation: Retired

Qualifications, experience and expertise: Kerry has served as a Sorell Councillor since 1996 including one term as Mayor. She was founding president of Southern Beaches Regional Arts and of Okines Community House. She has served as State and National President of the NAPCAN Foundation and on the Advisory Council for the Commissioner for Children and on the Tasmanian Women's Council. With more than 30 years in grass roots community development, in 2008 Kerry's name was added to the Tasmania Honour Roll of Women.

Special responsibilities: Nil

Interest in shares: 1,500

Brian Keith Mitchell
Director

Occupation: Media Consultant

Qualifications, experience and expertise: Brian is a self-employed Media Consultant and former newspaper editor with has more than 25 years' experience in journalism, politics and public policy. He has been a director since 2012, is an active member of the Marketing Committee and produces some of the Company's promotional material. Brian volunteers with the Causeway Club in Sorell and previously with the Richmond Online Resource Centre and the Tasmanian Independent Builders' Association.

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

Occupation: Retail Tyre Proprietor

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

Special responsibilities: Nil

Interest in shares: Nil

Aaron Graham Millar
Director

Occupation: Electrical Projects Manager

Qualifications, experience and expertise: Aaron worked in the electrical industry as a draftsman, then qualified as an electrical engineer and completed his electrical trade certificate. He currently works for a large statewide Tasmanian-owned electrical contractor. Aaron is Brigadier Chief of the Dunalley Volunteer Fire Brigade and works after hours as a training instructor for the Tasmania Fire Service.

Special Responsibilities: Nil

Interest in Shares: Nil

Sean Mitchell Vincent
Director

Occupation: Student

Qualifications, experience and expertise: 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 & Carlton Surf Life Saving Clubs and communications with Southern Business Group, providing a range of connections with the extended community. Sean completed an Arts/Law degree in 2014 majoring in Criminology and is now studying for a Masters of Business Administration with a focus on Human Resources.

Special Responsibilities: Nil

Interest in Shares: Nil

Directors were in office for this entire year unless otherwise stated

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

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Directors' Report

Company Secretary

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

Melinda is currently 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 30 June 2015	Year ended 30 June 2014
\$	\$
(58,464)	(148,658)

Remuneration report

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

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	-	-	-
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	-	-	-
Aaron Graham Millar	5,000	-	5,000
Sean Mitchell Vincent	-	1,000	1,000

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Sorell, Tasmania. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the Directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2015 (2014: \$nil).

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.

South East Districts Financial Services Limited
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Directors' Report

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.

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	10
Anthony David Davis	11	10
Melinda Jane Reed	11	11
Ricky Samuel Birch	11	8
Janice Maree McConnon	11	10
Kerry Gail Degrassi	11	5
Brian Keith Mitchell	11	7
Robert Bruce Forsyth	11	8
Brett Anthony McDonald	11	3
Aaron Graham Millar	11	7
Sean Mitchell Vincent	11	8

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*.

South East Districts Financial Services Limited
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Directors' Report

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*.

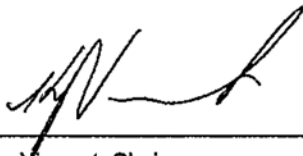
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- 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.

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 28 August 2015.



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

As lead auditor for the audit of South East Districts Financial Services Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550



David Hutchings
Lead Auditor

Dated: 28 August 2015

South East Districts Financial Services Limited
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Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	555,274	478,582
Employee benefits expense		(351,235)	(373,066)
Charitable donations, sponsorship, advertising and promotion		(21,199)	(12,367)
Occupancy and associated costs		(81,853)	(70,755)
Systems costs		(35,168)	(36,030)
Depreciation and amortisation expense	5	(39,843)	(44,185)
Finance costs	5	(87)	(18)
General administration expenses		(84,353)	(90,819)
Loss before income tax credit		(58,464)	(148,658)
Income tax credit	6	-	-
Loss after income tax credit		(58,464)	(148,658)
Total comprehensive income for the year		(58,464)	(148,658)
Earnings per share for loss attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	19	(6.63)	(16.87)

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 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	800	6,117
Trade and other receivables	8	28,359	21,146
Total Current Assets		<u>29,159</u>	<u>27,263</u>
Non-Current Assets			
Property, plant and equipment	9	153,422	171,265
Intangible assets	10	29,334	51,334
Total Non-Current Assets		<u>182,756</u>	<u>222,599</u>
Total Assets		<u>211,915</u>	<u>249,862</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	12,018	9,028
Borrowings	12	26,400	7,439
Total Current Liabilities		<u>38,418</u>	<u>16,467</u>
Non-Current Liabilities			
Borrowings	12	-	1,434
Total Non-Current Liabilities		<u>-</u>	<u>1,434</u>
Total Liabilities		<u>38,418</u>	<u>17,901</u>
Net Assets		<u>173,497</u>	<u>231,961</u>
Equity			
Issued capital	13	847,158	847,158
Accumulated losses	14	(673,661)	(615,197)
Total Equity		<u>173,497</u>	<u>231,961</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 2015

	Issued capital \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2013	<u>847,158</u>	<u>(466,539)</u>	<u>380,619</u>
Total comprehensive income for the year	<u>-</u>	<u>(148,658)</u>	<u>(148,658)</u>
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	<u><u>847,158</u></u>	<u><u>(615,197)</u></u>	<u><u>231,961</u></u>
Balance at 1 July 2014	<u>847,158</u>	<u>(615,197)</u>	<u>231,961</u>
Total comprehensive income for the year	<u>-</u>	<u>(58,464)</u>	<u>(58,464)</u>
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 2015	<u><u>847,158</u></u>	<u><u>(673,661)</u></u>	<u><u>173,497</u></u>

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 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		607,067	528,208
Payments to suppliers and employees		(629,828)	(648,398)
Interest received		4	1,439
Interest paid		(87)	(18)
Net cash used in operating activities	15	<u>(22,844)</u>	<u>(118,769)</u>
Cash flows from financing activities			
Repayment of borrowings		(7,035)	(6,554)
Net cash used in financing activities		<u>(7,035)</u>	<u>(6,554)</u>
Net decrease in cash held		(29,879)	(125,323)
Cash and cash equivalents at the beginning of the financial year		6,117	131,440
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>(23,762)</u></u>	<u><u>6,117</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 2015

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.

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).
- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

South East Districts Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2015

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
• AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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 Limited.

The Company promotes and sells the products and services, but is not a party to the transaction.

South East Districts Financial Services Limited
ABN 50 147 950 178
Notes to the Financial Statements
for the year ended 30 June 2015

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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.

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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits
plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

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Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

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Notes to the Financial Statements
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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 Profit or Loss and Other 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.

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Notes to the Financial Statements
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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 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.

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.

South East Districts Financial Services Limited
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Notes to the Financial Statements
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Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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 Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that 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 Profit or Loss and Other 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.

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Notes to the Financial Statements
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Note 1. Summary of significant accounting policies (*continued*)

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.

(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%.

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Notes to the Financial Statements
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Note 2. Financial risk management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the Statement of Profit or Loss and Other 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 Profit or Loss and Other 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.

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Notes to the Financial Statements
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Note 4. Revenue from ordinary activities	2015	2014
	\$	\$
Operating activities:		
- services commissions	554,270	477,142
- other revenue	1,000	-
Total revenue from operating activities	<u>555,270</u>	<u>477,142</u>
Non-operating activities:		
- interest received	4	1,440
Total revenue from non-operating activities	<u>4</u>	<u>1,440</u>
Total revenues from ordinary activities	<u><u>555,274</u></u>	<u><u>478,582</u></u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,296	7,638
- leasehold improvements	11,594	11,594
- motor vehicle	2,953	2,953
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- establishment fee	20,000	20,000
	<u>39,843</u>	<u>44,185</u>
Finance costs:		
- interest paid	<u>87</u>	<u>18</u>
Bad debts	<u>21</u>	<u>276</u>

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax		
- Future income tax benefit attributable to losses	(12,572)	(38,393)
- Movement in deferred tax	(921)	(626)
- Tax losses not brought to account	4,245	39,019
- Adjustment to deferred tax to reflect change to tax rate in future periods	9,248	-
	<u>-</u>	<u>-</u>

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

Operating loss	(58,464)	(148,658)
Prima facie tax on loss from ordinary activities at 30%	(17,539)	(44,597)
Add tax effect of:		
- non-deductible expenses	6,600	6,600
- timing difference expenses	921	626
- other deductible expenses	(2,554)	(1,022)
	<u>(12,572)</u>	<u>(38,393)</u>
Movement in deferred tax	(921)	(626)
Adjustment to deferred tax to reflect change of tax rate in future periods	9,248	39,019
Tax losses not brought to account	4,245	-
	<u>-</u>	<u>-</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>175,012</u>	<u>171,651</u>
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South East Districts Financial Services Limited
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Notes to the Financial Statements
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	2015	2014
	\$	\$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	<u>800</u>	<u>6,117</u>
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	800	6,117
Bank overdraft	12 (24,562)	-
	<u>(23,762)</u>	<u>6,117</u>
Note 8. Trade and other receivables		
Trade receivables	22,611	14,914
Prepayments	4,423	4,287
Other receivables and accruals	1,325	1,945
	<u>28,359</u>	<u>21,146</u>
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	164,334	164,334
Less accumulated depreciation	(42,031)	(30,437)
	<u>122,303</u>	<u>133,897</u>
Plant and equipment		
At cost	43,621	43,621
Less accumulated depreciation	(25,263)	(21,967)
	<u>18,358</u>	<u>21,654</u>
Motor vehicles		
At cost	23,627	23,627
Less accumulated depreciation	(10,866)	(7,913)
	<u>12,761</u>	<u>15,714</u>
Total written down amount	<u>153,422</u>	<u>171,265</u>
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	133,897	145,491
Additions	-	-
Disposals	-	-
Less: depreciation expense	(11,594)	(11,594)
Carrying amount at end	<u>122,303</u>	<u>133,897</u>
Plant and equipment		
Carrying amount at beginning	21,654	29,292
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,296)	(7,638)
Carrying amount at end	<u>18,358</u>	<u>21,654</u>
Motor vehicles		
Carrying amount at beginning	15,714	18,667
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,953)	(2,953)
Carrying amount at end	<u>12,761</u>	<u>15,714</u>
Total written down amount	<u>153,422</u>	<u>171,265</u>

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Note 10. Intangible assets	2015	2014
	\$	\$
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(7,333)	(5,333)
	<u>2,667</u>	<u>4,667</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(73,333)	(53,333)
	<u>26,667</u>	<u>46,667</u>
Total written down amount	<u><u>29,334</u></u>	<u><u>51,334</u></u>

Note 11. Trade and other payables

Current:

Trade creditors	6,611	5,360
Other creditors and accruals	5,407	3,668
	<u>12,018</u>	<u>9,028</u>

Note 12. Borrowings

Current:

Bank overdrafts		24,562	-
Chattel mortgage	16	1,838	7,439
		<u>26,400</u>	<u>7,439</u>

Non-Current:

Chattel mortgage	16	-	1,434
		<u>-</u>	<u>1,434</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%.

The Cheque account Overdraft facility limit is \$100,000. The Interest Rate is currently on a variable rate of 4.705%. The bank overdraft has a rolling renewal date and is secured by a floating charge over the Company's assets.

Note 13. Contributed equity

814,100 ordinary shares fully paid (2014: 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.

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Notes to the Financial Statements
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Note 14. Contributed equity (continued)

Rights attached to shares (continued)

(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.

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	2015	2014
	\$	\$
Balance at the beginning of the financial year	(615,197)	(466,539)
Net loss from ordinary activities after income tax	(58,464)	(148,658)
Dividends paid or provided for	-	-
Balance at the end of the financial year	<u>(673,661)</u>	<u>(615,197)</u>

South East Districts Financial Services Limited
ABN 50 147 950 178
Notes to the Financial Statements
for the year ended 30 June 2015

	2015	2014
	\$	\$
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	(58,464)	(148,658)
Non cash items:		
- depreciation	17,843	22,185
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(7,213)	(10,181)
- increase/(decrease) in payables	2,990	(4,115)
Net cash flows used in operating activities	<u>(22,844)</u>	<u>(118,769)</u>

Note 16. Leases

Finance lease commitments

Payable - minimum lease payments:

- not later than 12 months	1,838	7,439
- between 12 months and 5 years	-	1,434
- greater than 5 years	-	-
Minimum lease payments	<u>1,838</u>	<u>8,873</u>
Less future finance charges	-	-
Present value of minimum lease payments	<u>1,838</u>	<u>8,873</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	65,098	63,822
- between 12 months and 5 years	27,124	90,414
- greater than 5 years	-	-
	<u>92,222</u>	<u>154,236</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	3,950	3,850
- share registry services	1,750	1,500
- non audit services	2,000	1,925
	<u>7,700</u>	<u>7,275</u>

Note 18. Director and related party 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.

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Notes to the Financial Statements
for the year ended 30 June 2015

Note 19. Earnings per share	2015	2014
	\$	\$
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(58,464)	(148,658)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	881,212	881,212

Note 20. 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 21. 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 22. 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 23. 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

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for the year ended 30 June 2015

Note 24. 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					
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	800	6,117	-	-	-	-	-	-	-	-	0.09	2.63
Receivables	-	-	-	-	-	-	-	-	22,611	14,914	N/A	N/A
Financial liabilities												
Interest bearing liabilities	24,562	-	1,838	7,439	-	1,434	-	-	-	-	7.09	7.09
Payables	-	-	-	-	-	-	-	-	6,611	5,360	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 economic entity.

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 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015	2014
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(256)	(28)
Decrease in interest rate by 1%	(256)	(28)
Change in equity		
Increase in interest rate by 1%	(256)	(28)
Decrease in interest rate by 1%	(256)	(28)

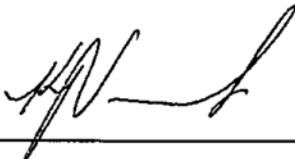
South East Districts Financial Services Limited
ABN 50 147 950 178
Directors' Declaration

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 2015 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 28th of August 2015.

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 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 that gives a true and fair view 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 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 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 fair 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.

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 2015 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 2015. 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 on the remuneration report

In our opinion, the remuneration report of South East Districts Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550



David Hutchings
Lead Auditor

Dated: 28 August 2015

Community investment 2014-15

Beacon Foundation breakfast
Bream Creek Show
Bream Creek Show Animal Nursery
Business Council of Sorell
Carlton Park Surf Life Saving Club community BBQ
Damian Axelsen at 2014 World Trampoline and Tumbling Championships
Dodges Ferry Football Club
Dodges Ferry Junior Soccer Club match bags
Dodges Ferry Primary School 'Bravehearts' child safety session
Dodges Ferry Primary School 'Community Spirit' award
Dodges Ferry Volunteer Fire Brigade lolly run
Dunalley Primary School 'Community Spirit' award
Dunalley community night
Healthy Horizons inaugural family fun run
Levendale Community school campus renewal project
Midway Point Fire Brigade lolly run
Ningana Nursing Home Fair
Okines Community House Breakfast Club
Orierton Hall Committee signage
Pots of Inspiration for the MS Society
Richmond Primary School 'Making a Difference' award
Richmond United Junior Soccer Club match bags
Richmond Village Fair
Sophia's Story Quiz Night
Sorell Colour Fun Run for Youth Week
Sorell Family Fair fundraiser
Sorell Junior Soccer Club player tops
Sorell School Breakfast Club
Sorell School Enviro Week clean up
Sorell School Fair
Sorell School Farm
South East Districts Little Athletics Club hurdles
South East Suns Netball Club
South East United FC Summer 6's
Southern Beaches Regional Arts Exhibition portrait prize
Southern Beaches Regional Arts art auction CommunityPOS
Starlight Children's Foundation morning tea bake-off
Tas Fire Service East Coast 4x4 Field Day at Dodges Ferry
Tas Regional Arts 'Tall Poppies' touring exhibition
Winter Warmer collection for Uniting Care Tasmania
Woodsdale Football Club fireworks night

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Sorell TAS 7172
Phone: (03) 6269 2889
Fax: (03) 6269 2878

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