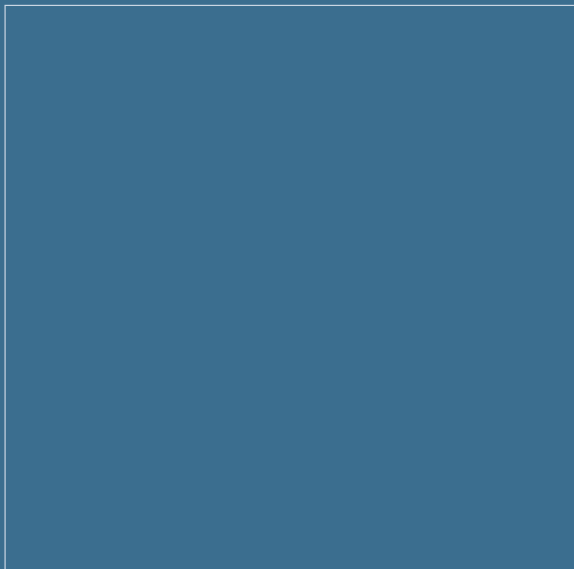


annual report | 2009



Cobden & Districts
Community Finance Limited
ABN 84 117 781 049

Cobden & Districts **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2009

It is with pleasure that I present this fourth annual report to our shareholders of Cobden & Districts Community Finance Limited.

Firstly I must say thank you to our Manager and staff at Cobden and Camperdown **Community Bank**[®] branches. You all have been great ambassadors for us and go out of your way to ensure our customers are our number one priority.

I also would like to thank our voluntary Directors James Green, Margaret McDonald, Stuart Dawson, Greg Suter, Don Howard, Trevor Clarke, Milton Parlour, Peter Giblett, Duncan Morris, Robert Gunner and Kellie Kempton. Your help and dedication is greatly appreciated. The amount of work and time placed into promoting and supporting our **Community Bank**[®] branch and Customer Service Centre is a valuable contribution to our growth and success. I must also make mention of the support that has been provided by our Bendigo and Adelaide Bank Ltd Regional Manager, Gary Attrill, and his support team.

The last 12 months has been very difficult for the growth of our **Community Bank**[®] Company. The Global Financial Crisis which has created problems for banks worldwide has also affected us. Our interest rate margin, which is the difference between our lending rates and deposit rates, had been reduced significantly. When lending rates fell so quickly late last year, we were still locked in on high deposit rates which reduced the amount that we earn. Over the last month of this financial year, this interest rate margin problem has now corrected itself and we are back to where we should be with earnings. The effect of this difference on our Company means that we have had to extend the time that we will achieve breakeven out by 12 months from our original feasibility and budget projections.

To alleviate this we have proactively changed the direction of our business. The Directors and staff are all actively engaged in fostering new business both on the lending and deposit side of our balance sheet. We are also monitoring our operating expenses so that every dollar earned is accounted for.

However even with these challenges we have achieved a significant goal this last 12 months in exceeding \$50 million in funds under management. This is in fact ahead of our original budget figures and we are continuing to grow this number.

Of even greater significance is the fact that our **Community Bank**[®] Company of Cobden has now invested into our communities in excess of \$35,000 by way of support. These funds are part of our franchise agreement with the Bendigo and Adelaide Bank Ltd, and are based on the total funds under management. The formula for more support is simple, more customers equals more funds under management equals more money for us to invest in our community.


Chairman's report continued

In line with the above, the Company is extremely pleased to have this year, entered into an arrangement with Cobden District Health Services Inc. (CDHS) to provide beneficial support to each other. This will entail our branches providing financial support to the CDHS on a yearly basis and as we move into profit we will support this vital part of our community even more.

Another great supporter of our **Community Bank**[®] branch and Customer Service Centre is Camperdown & District Little Athletics Club. It was a pleasure for me personally to present achievement trophies to participants at their end of year awards and it will great for us to support the development of their new facilities being built in Camperdown.

Spread the word, support us and we will support your community.

Thank you.

A handwritten signature in black ink that reads "Trevor J Gardner". The signature is written in a cursive, flowing style.

Trevor J Gardner
Chairperson

Manager's report

For year ending 30 June 2009

Another year on and still going strong. It is indeed a pleasure to complete this report for a fourth time.


Firstly, I will take the opportunity to pass on my thanks to my staff, namely Helen Walker, Wendy Brooks, Cath Umland, Nicole Maillard, Rebecca Rockliff, Margaret McMaster and Jade Walsh for their continued support throughout, not only this year but each year since our opening. It is greatly appreciated and I look forward to continuing our working relationship for a long time to come.

I would also like to thank Trevor Gardner and the Board of Directors for their support and direction in these harsh economic times. Theirs is a thankless task and as volunteers their dedication to improve the profile of our **Community Bank**[®] branch and the difference we can make within the community is invaluable.

We have also received terrific support from our Regional Manager Gary Attrill and his team in Warrnambool and our State Support base in Geelong.

It has been a difficult 12 months but we have continued to grow our business and with an improved economy we should be able to maintain a level of growth that will have us break even before our next annual report is delivered. This will greatly increase the level of support we will be able to provide to the communities of Cobden, Camperdown and the surrounding districts.

When you consider that we have already been able to invest more than \$35,000 within these communities since our opening, the possibilities for even greater investment and involvement with clubs and community groups is exciting and one that I am very happy to be a part of.



Peter Hall

Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank**[®] branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank**[®] branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank**[®] branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – \$29 million paid out in community projects and nearly \$11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects... the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

Community Bank[®] branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.



Russell Jenkins
Chief General Manager

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

Directors

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

Trevor John Gardner

Chairman
Age: 56
Business Manager
Chairperson Cobden Golf Club for 4 years;
Manager of CopRice for 9 years; Chairperson of
ATMA for 7 years; Bank Manager for 15 years.
Special Responsibilities: Chairman.
Interest in shares: 1,001

Margaret Emily McDonald

Secretary
Age: 59
Retired
Legal Conveyancer for 30 years.
Special Responsibilities: Secretary.
Interest in shares: 1,001

Stuart James Dawson

Director
Age: 48
Carpenter
Local Golf Club Captain for 9 years.
Special Responsibilities: Marketing Committee.
Interest in shares: 6,001

Gregory Leigh Suter

Treasurer
Age: 38
Cabinet Maker
Self Employed cabinet maker managing own
business since 1993.
Special Responsibilities: Treasurer and
Special Projects Committee.
Interest in shares: 5,001

Trevor John Clarke

Director
Age: 38
Owner / Operator
Self Employed Motor Mechanic managing own
business since 1999.
Special Responsibilities: Marketing Committee.
Interest in shares: 3,001

Donald Francis Howard

Director
Age: 52
Farmer / Director
Director of Murray Goulburn Co-op Limited.
Special Responsibilities: Marketing Committee.
Interest in shares: 3,001

Directors' report continued

Rodney Peter Giblett

Director

Age: 61

Retired

Currently involved in the Red Cross; previously involved in the Cobden Apex Club and Cobden Football Club Committee. Bank Manager for 12 years.

Special Responsibilities; Shareholdings.

Interest in shares: NIL

James Alfred Green

Director

Age: 48

Civil Engineer

Bachelor of Engineering - Civil

President of the Cobden Football Netball Club for 8 years; Previous National Secretary of Apex Australia for 2 years; previous State President of Apex Australia for 1 year.

Special Responsibilities: Human Resources.

Interest in shares: 4,001

Robert Saunders Gunner

Director (Appointed 28 October 2008)

Age: 75

Retired

Newsagency business owner for many years.

Special Responsibilities: Community Investment Committee.

Interest in shares: NIL

Michael David Hinkley

Director (Resigned 28 October 2008)

Age: 52

Farmer / Contractor

Member of the Cobden Football Netball Club committee.

Special Responsibilities: Shareholding.

Interest in shares: 2,001

Milton John Parlour

Director

Age: 58

Real Estate Agent

Past Corangamite Shire Councillor; past President of Progressing Cobden. Managed family Hardware and Service Station businesses for many years.

Special Responsibilities: Special Projects Committee.

Interest in shares: 2,001

Edwin Duncan Morris

Director (Appointed 28 October 2008)

Age: 55

Certified Practising Accountant

President of Cobden & District Health Services for 10 years. Self Employed Certified Practising Accountant managing own practice for 25 years. Numerous other community roles.

Special Responsibilities: Community Investment Committee.

Interest in shares: 5,000

Kellie Lee Kempton

Director (Appointed 28 October 2008)

Age: 33

Receptionist

Secretary of Camperdown & District Netball Association for more than 12 years.

Special Responsibilities: Community Investment Committee.

Interest in shares: NIL

Gayle Patricia Kelson

Secretary (Resigned 28 October 2008)

Age: 55

Administration / Support Officer

Past President and Secretary of Cobden Playgroup Inc. and Cobden Kindergarten.

Special Responsibilities: Secretary, Shareholding.

Interest in shares: 1,001

Directors' report continued

Andrew Keith Suter

Director (Resigned 28 October 2008)

Age: 65

Retired

Involved in the local CFA; past President of South Purrumbete Primary School and Cobden 1st Scouts Group.

Special Responsibilities: Human Resources.

Interest in shares: 6,501

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 Margaret Emily McDonald was appointed to the position of Secretary on 28 October 2008. Margaret has no previous Company Secretary experience.

Principal activities

The principal activities of the Company during the course of the financial year were in facilitating **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

Operating results

The recent global financial crisis has adversely impacted the stability of the international financial system. The current global financial crisis presents a challenge for all financial institutions, including Bendigo and Adelaide Bank Ltd and in turn Cobden & Districts Financial Services Limited. The duration and extent of the global financial crisis is still largely unknown and continuation of these conditions could adversely affect the ongoing financial performance or financial condition of the Company's business as a franchisee of a **Community Bank**[®] branch.

The loss of the Company for the financial year after provision for income tax was:

| Year ended 30 June 2009 | Year ended 30 June 2008 |
|--|--|
| \$ | \$ |
| (194,865) | (122,878) |

Directors' report continued

Remuneration report

No Director received remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

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 report.

Matters subsequent to the end of the financial year

After the end of the financial year approval was granted for additional loan funding. The overdraft limit was decreased to \$170,000 during the financial year, and subsequently two loans, for \$220,000 and \$50,000 have been approved to fund ongoing operations.

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 18 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

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' report continued

Directors' meetings

The number of Directors' meetings attended by each of the Directors of the Company during the year were:

| | Number of Board meetings eligible to attend | Number attended |
|--|--|----------------------------|
| Trevor John Gardner | 12 | 11 |
| Gregory Leigh Suter | 12 | 9 |
| Margaret Emily McDonald | 12 | 11 |
| Trevor John Clarke | 12 | 9 |
| Stuart James Dawson | 12 | 9 |
| Donald Francis Howard | 12 | 7 |
| Rodney Peter Giblett | 12 | 7 |
| Milton John Parlour | 12 | 9 |
| James Alfred Green | 12 | 11 |
| Edwin Duncan Morris (Appointed 28 October 2008) | 8 | 8 |
| Robert Saunders Gunner (Appointed 28 October 2008) | 8 | 8 |
| Kellie Lee Kempton (Appointed 28 October 2008) | 8 | 5 |
| Michael David Hinkley (Resigned 28 October 2008) | 4 | 2 |
| Gayle Patricia Kelson (Resigned 28 October 2008) | 4 | 4 |
| Andrew Keith Suter (Resigned 28 October 2008) | 4 | 2 |

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.

Directors' report continued

Non Audit services (continued)

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 Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the Board of Directors at Cobden, Victoria on 5 August 2009.



Trevor John Gardner
Chairman



Gregory Leigh Suter
Director

Auditor's independence declaration



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Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Cobden & Districts Community Finance Limited

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

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

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 7 day of September 2009

Financial statements

Income statement For year ending 30 June 2009

| | Note | 2009 \$ | 2008 \$ |
|--|------|------------------|------------------|
| Revenues from ordinary activities | 3 | 337,816 | 227,638 |
| Salaries and employee benefits expense | | (293,739) | (244,417) |
| Charitable donations, sponsorship, advertising & promotion | | (11,512) | (11,632) |
| Occupancy and associated costs | | (34,172) | (29,640) |
| Systems costs | | (32,932) | (26,771) |
| Depreciation and amortisation expense | 4 | (11,219) | (10,743) |
| Finance costs | 4 | (7,650) | - |
| General administration expenses | | (141,457) | (79,975) |
| Loss before income tax credit | | (194,865) | (175,540) |
| Income tax credit | 5 | - | 52,662 |
| Loss for the period | | (194,865) | (122,878) |
| Loss attributable to members of the entity | | (194,865) | (122,878) |
| Earnings per share (cents per share) | | ¢ | ¢ |
| - basic for profit for the year | 19 | (26.88) | (16.95) |

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2009

| | Note | 2009 \$ | 2008 \$ |
|--------------------------------------|------|----------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash assets | 6 | 188 | 100 |
| Trade and other receivables | 7 | 37,324 | 27,265 |
| Total current assets | | 37,512 | 27,365 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 176,010 | 176,843 |
| Intangible assets | 9 | 4,000 | 6,000 |
| Deferred tax assets | 10 | 167,728 | 167,728 |
| Total non-current assets | | 347,738 | 350,571 |
| Total assets | | 385,250 | 377,936 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 21,332 | 48,951 |
| Borrowings | 12 | 229,040 | 7,057 |
| Provisions | 13 | 22,659 | 17,417 |
| Total current liabilities | | 273,031 | 73,425 |
| Non-current liabilities | | | |
| Provisions | 13 | 2,573 | - |
| Total non-current liabilities | | 2,573 | - |
| Total liabilities | | 275,604 | 73,425 |
| Net assets | | 109,646 | 304,511 |
| Equity | | | |
| Issued capital | 14 | 698,455 | 698,455 |
| Accumulated losses | 15 | (588,809) | (393,944) |
| Total equity | | 109,646 | 304,511 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

| | Note | 2009 \$ | 2008 \$ |
|---|-------------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 330,751 | 213,752 |
| Payments to suppliers and employees | | (515,196) | (390,616) |
| Interest received | | 89 | 6,979 |
| Interest paid | | (7,650) | (24) |
| Net cash provided used in operating activities | 16 | (192,006) | (169,909) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (29,889) | - |
| Net cash provided used in investing activities | | (29,889) | - |
| Net decrease in cash held | | (221,895) | (169,909) |
| Cash at the beginning of the financial year | | (6,957) | 162,952 |
| Cash at the end of the half-year | 6(a) | (228,852) | (6,957) |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

| | Note | 2009 \$ | 2008 \$ |
|---|------|------------------|------------------|
| Total equity at the beginning of the period | | 304,511 | 427,389 |
| Net loss for the period | | (194,865) | (122,878) |
| Net income/expense recognised directly in equity | | - | - |
| Total income and expense recognised by the entity for the year | | (194,865) | (122,878) |
| Dividends provided for or paid | | - | - |
| Shares issued during period | | - | - |
| Costs of issuing shares | | - | - |
| Total equity at the end of the period | | 109,646 | 304,511 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions 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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). 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.

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 for 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 ATO are classified as operation cash flows.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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 tax 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 comprehensive 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/consolidated 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 income statement, 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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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.

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

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.

Comparative figures

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

Property, plant and equipment

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

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

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.

Borrowings

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

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 transactions 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 assets.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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) 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 income statement.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the entity 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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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.

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.

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.

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 Ltd.

Notes to the financial statements continued

Note 2. Financial risk management (continued)

(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 Ltd mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd 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 Ltd mitigates this risk significantly.

(vi) Capital management

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

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

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

Notes to the financial statements continued

| | 2009 \$ | 2008 \$ |
|--|----------------|----------------|
| Note 3. Revenue from ordinary activities | | |
| Operating activities: | | |
| - services commissions | 337,784 | 223,152 |
| - other revenue | 21 | 56 |
| Total revenue from operating activities | 337,805 | 223,208 |
| Non-operating activities: | | |
| - interest received | 11 | 4,430 |
| Total revenue from non-operating activities | 11 | 4,430 |
| Total revenues from ordinary activities | 337,816 | 227,638 |

Note 4. Expenses

Depreciation of non-current assets:

| | | |
|-------------------------------------|---------------|---------------|
| - plant and equipment | 1,835 | 2,312 |
| - leasehold improvements | 7,384 | 6,431 |
| Amortisation of non-current assets: | | |
| - franchise agreement | 2,000 | 2,000 |
| | 11,219 | 10,743 |
| Finance costs: | | |
| - interest paid | 7,650 | 23 |
| Bad debts | 148 | 303 |

Note 5. Income tax expense

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

| | | |
|--|-----------|-----------|
| Operating loss | (194,865) | (175,540) |
| Future income tax benefit on loss from ordinary activities at 30% (58,460) | (52,662) | |

Notes to the financial statements continued

| | Note | 2009 \$ | 2008 \$ |
|--|-----------|---------------|-----------------|
| Note 5. Income tax expense (continued) | | | |
| Add tax effect of: | | | |
| - non-deductible expenses | | 600 | - |
| - timing difference expenses | | (122) | - |
| - blackhole expenses | | (2,149) | - |
| Future income tax benefit not brought to account | | (60,131) | |
| Income tax expense on operating loss | 10 | - | (52,662) |
| 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: | | | |
| | | 60,131 | |

Note 6. Cash assets

| | | |
|--------------------------|------------|------------|
| Cash at bank and on hand | 188 | 100 |
| | 188 | 100 |

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

6(a) Reconciliation of cash

| | | |
|--------------------------|------------------|----------------|
| Cash at bank and on hand | 188 | 100 |
| Overdraft | (229,040) | (7,058) |
| | (228,852) | (6,958) |

Note 7. Trade and other receivables

| | | |
|-------------------|---------------|---------------|
| Trade receivables | 25,965 | 18,989 |
| Prepayments | 11,359 | 8,276 |
| | 37,324 | 27,265 |

Notes to the financial statements continued

| | 2009 \$ | 2008 \$ |
|--|----------------|----------------|
| Note 8. Property, plant and equipment | | |
| Plant and equipment | | |
| At cost | 32,483 | 28,783 |
| Less accumulated depreciation | (5,789) | (3,954) |
| | 26,694 | 24,829 |
| Leasehold improvements | | |
| At cost | 168,800 | 164,114 |
| Less accumulated depreciation | (19,484) | (12,100) |
| | 149,316 | 152,014 |
| Total written down amount | 176,010 | 176,843 |
| Movements in carrying amounts: | | |
| Plant and equipment | | |
| Carrying amount at beginning | 24,829 | 23,815 |
| Additions | 3,700 | 3,326 |
| Less: depreciation expense | (1,835) | (2,312) |
| Carrying amount at end | 26,694 | 24,829 |
| Leasehold improvements | | |
| Carrying amount at beginning | 152,014 | 136,807 |
| Additions | 4,686 | 21,638 |
| Less: depreciation expense | (7,384) | (6,431) |
| Carrying amount at end | 149,316 | 152,014 |
| Total written down amount | 176,010 | 176,843 |

Note 9. Intangible assets

Franchise fee

| | | |
|--------------------------------|--------------|--------------|
| At cost | 10,000 | 10,000 |
| Less: accumulated amortisation | (6,000) | (4,000) |
| | 4,000 | 6,000 |

Notes to the financial statements continued

| | 2009 \$ | 2008 \$ |
|---|----------------|----------------|
| Note 10. Deferred tax | | |
| Deferred tax | | |
| • Opening balance | 167,729 | 115,067 |
| • Future income tax benefits attributable to losses | - | 52,662 |
| • Rounding | - | (1) |
| • Closing balance | 167,729 | 167,729 |

Note 11. Trade and other payables

| | | |
|----------------------------|---------------|---------------|
| Trade creditors | 11,265 | 39,392 |
| Other creditors & accruals | 10,067 | 9,559 |
| | 21,332 | 48,951 |

Note 12. Borrowings

| | | |
|-----------------------|----------------|--------------|
| Bank overdraft | 229,040 | 7,057 |
|-----------------------|----------------|--------------|

Note: The Company has an approved overdraft facility of \$275,000.

Further loan funding totalling \$270,000 has been approved since year end and the overdraft limit has been reduced to \$170,000.

The overdraft facility interest is charged at commercial interest rates as per agreement with the Franchisor. The overdraft is secured by a fixed and floating charge over the Company's assets.

Note 13. Provisions

| | | |
|---|---------------|---------------|
| Current: | | |
| Provision for annual leave | 22,659 | 16,556 |
| | 22,659 | 16,556 |
| Non-current: | | |
| Provision for long service leave | 2,573 | 861 |
| Number of employees at year end | 8 | 5 |

Notes to the financial statements continued

| | 2009 \$ | 2008 \$ |
|--|----------------|----------------|
| Note 14. Contributed equity | | |
| 725,012 Ordinary shares fully paid of \$1 each (2008: 725,012) | 725,012 | 725,012 |
| Less: equity raising expenses | (26,557) | (26,557) |
| | 698,455 | 698,455 |

Rights attached to shares

(a) Voting rights

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

On a show of hands or a poll, each shareholder 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 shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each shareholder 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 shareholders 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 shareholders 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 Ltd 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.

Notes to the financial statements continued

Note 14. Contributed equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the Company (the “10% limit”).
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the “base number test”).
The base number is 302. As at the date of this report, the Company had 335 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 shareholder has a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder’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, shareholders acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

| | 2009 | 2008 |
|--|------------------|------------------|
| | \$ | \$ |
| Note 15. Accumulated losses | | |
| Balance at the beginning of the financial year | (393,944) | (271,066) |
| Net loss from ordinary activities after income tax | (194,865) | (122,878) |
| Balance at the end of the financial year | (588,809) | (393,944) |

Notes to the financial statements continued

| | 2009 \$ | 2008 \$ |
|--|------------------|------------------|
| Note 16. 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 | (194,865) | (122,878) |
| Non cash items: | | |
| - depreciation | 9,219 | 8,743 |
| - amortisation | 2,000 | 2,000 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | (10,059) | (18,767) |
| - (increase)/decrease in other assets | - | (52,661) |
| - increase/(decrease) in payables | (6,116) | 6,281 |
| -increase/(decrease) in provisions | 7,815 | 7,373 |
| Net cash flows used in operating activities | (192,006) | (169,909) |

Note 17. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

| | | |
|---------------------------|--------------|--------------|
| - audit & review services | 4,200 | 4,000 |
| - non audit services | 40 | 350 |
| | 4,240 | 4,350 |

Notes to the financial statements continued

Note 18. Director and related party disclosures

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

Trevor John Gardner
Gregory Leigh Suter
Margaret Emily McDonald
Trevor John Clarke
Stuart James Dawson
Donald Francis Howard
Rodney Peter Giblett
Milton John Parlour
James Alfred Green
Edwin Duncan Morris (Appointed 28 October 2008)
Robert Saunders Gunner (Appointed 28 October 2008)
Kellie Lee Kempton (Appointed 28 October 2008)
Michael David Hinkley (Resigned 28 October 2008)
Gayle Patricia Kelson (Resigned 28 October 2008)
Andrew Keith Suter (Resigned 28 October 2008)

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

Director Gregory Suter is the owner of Cobden Kitchens & Joinery. During the 2009 financial year Cobden & Districts Community Finance Limited engaged Cobden Kitchens & Joinery to complete security upgrades to the Cobden Branch and to supply two new filing cabinets. The total amount payable to Cobden Kitchens & Joinery relating to these services was \$4204.36. (2008: \$13661.24) The purchase was made on normal commercial terms.

Director Duncan Morris is the owner of Duncan Morris & Associates accounting practice. During the 2009 financial year Cobden & Districts Community Finance Limited engaged Duncan Morris & Associates to provide assistance to the Treasurer to process all financial information, prepare reports for presentation to the Board of Directors each month and prepare the half year and annual financial reports for shareholders. The total amount payable to Duncan Morris & Associates relating to this service was \$5280.00. (2008: \$5280.00) The purchase was made on normal commercial terms.

Notes to the financial statements continued

Note 18. Director and related party disclosures (continued)

| Directors' shareholdings | 2009 | 2008 |
|--|-------------|-------------|
| Trevor John Gardner | 1,001 | 1,001 |
| Gregory Leigh Suter | 5,001 | 5,001 |
| Margaret Emily McDonald | 1,001 | 1,001 |
| Trevor John Clarke | 3,001 | 3,001 |
| Stuart James Dawson | 6,001 | 6,001 |
| Donald Francis Howard | 3,001 | 3,001 |
| Rodney Peter Giblett | - | - |
| Milton John Parlour | 2,001 | 2,001 |
| James Alfred Green | 4,001 | 4,001 |
| Edwin Duncan Morris (Appointed 28 October 2008) | 5,000 | - |
| Robert Saunders Gunner (Appointed 28 October 2008) | - | - |
| Kellie Lee Kempton (Appointed 28 October 2008) | - | - |
| Michael David Hinkley (Resigned 28 October 2008) | 2,001 | 2,001 |
| Gayle Patricia Kelson (Resigned 28 October 2008) | 1,001 | 1,001 |
| Andrew Keith Suter (Resigned 28 October 2008) | 6,501 | 6,501 |

There was no movement in Directors' shareholdings during the year.

| | 2009 | 2008 |
|--|-------------|-------------|
| | \$ | \$ |

Note 19. Earnings per share

(a) Profit attributable to the ordinary equity holders of the Company

| | | |
|--|-----------|-----------|
| used in calculating earnings per share | (194,865) | (122,878) |
|--|-----------|-----------|

| | 2009 | 2008 |
|--|---------------|---------------|
| | Number | Number |

(b) Weighted average number of ordinary shares used as the

| | | |
|---|---------|---------|
| denominator in calculating basic earnings per share | 725,012 | 725,012 |
|---|---------|---------|

Notes to the financial statements continued

Note 20. Events occurring after the balance sheet date

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

Note 21. Contingent liabilities

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

Note 22. Registered office/principal place of business

The registered office and principal place of business is:

| | |
|-------------------|-----------------------------|
| Registered office | Principal place of business |
| 37 Curdie Street, | 37 Curdie Street, |
| Cobden VIC 3266 | Cobden VIC 3266 |

Note 23. Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position 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.

Notes to the financial statements continued

Note 23. Financial instruments (continued)

Interest rate risk

| Financial instrument | Floating interest rate | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average effective interest rate | |
|------------------------------|------------------------|-------|---------------------------------|------|-------------------|------|--------------|------|----------------------|-------|--|------|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Financial assets | | | | | | | | | | | | |
| Cash assets | - | - | - | - | - | - | - | - | 188 | 100 | - | - |
| Receivables | - | - | - | - | - | - | - | - | 25964 | 18910 | N/A | N/A |
| Financial liabilities | | | | | | | | | | | | |
| Interest bearing liabilities | 229,040 | 7,057 | - | - | - | - | - | - | - | - | 9.64 | 0 |
| Payables | - | - | - | - | - | - | - | - | 15394 | 44751 | N/A | N/A |

Directors' declaration


In accordance with a resolution of the Directors of Cobden & Districts Community Finance 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 2009 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 AASB174 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act.

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



Trevor John Gardner
Chairman



Gregory Leigh Suter
Director

Signed on 5 August 2009.

Independent audit report



Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
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ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Cobden & Districts Community Finance Limited

We have audited the accompanying financial statements of Cobden & Districts Community Finance Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair 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 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 report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

- 1) The financial report of Cobden & Districts Community Finance Limited is in accordance with the Corporations Act 2001 including
 - (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;
- 2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Cobden & Districts Community Finance Limited for the year ended 30 June 2009, complies with section 300A if the Corporations Act 2001.



DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 7 day of September 2009

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 23 September 2009, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

| Number of shares held | Number of shareholders |
|---------------------------|------------------------|
| 1 to 1,000 | 159 |
| 1,001 to 5,000 | 95 |
| 5,001 to 10,000 | 14 |
| 10,001 to 100,000 | 2 |
| 100,001 and over | – |
| Total shareholders | 270 |

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 105 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders

| Shareholder | Number of shares | Percentage of capital |
|-----------------------------|------------------|-----------------------|
| Mr I & C Benallack | 10,000 | 1.38% |
| Estate I DenneyAnd D Denney | 10,000 | 1.38% |
| Mr B & Estate M Finlayson | 10,000 | 1.38% |
| Mrs J Finlayson | 10000 | 1.38% |
| Mr N & M Fisher | 11001 | 1.52% |
| Mr L & T Green | 10000 | 1.38% |
| Mr D & D Gribble | 40000 | 5.52% |
| Mr F Hodgson | 10000 | 1.38% |
| Martillack Holding Pty Ltd | 10000 | 1.38% |
| Mr M Newell | 10000 | 1.38% |
| | 131,001 | 18.07% |

BSX report continued

Registered office and principal administrative office

The registered office of the Company is located at:

37 Curdie Street,
Cobden VIC 3266
Phone: (03) 5595 1191

The principal administrative office of the Company is located at:

37 Curdie Street,
Cobden VIC 3266
Phone: (03) 5595 1191

Security register

The security register (share register) is kept at:

ShareData Pty.Ltd.
P.O.Box 298
St. Agnes SA 5097
Phone: (08) 8395 2308

Company Secretary

Margaret McDonald has been Company Secretary of Cobden & Districts Community Finance Ltd. since 28 October 2008. Margaret has had many years experience as a legal assistant and conveyancer.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) Committees for special projects, community investment, Business policies and procedures, Business Plan, Directors and Staff HR, shareholders/clients. Our Company's accountant and Treasurer deal with the audit procedures.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.

Cobden & Districts **Community Bank**[®] Branch
37 Curdie Street, Cobden VIC 3266
Phone: (03) 5595 1191

Franchisee: Cobden & Districts Community Finance Limited
37 Curdie Street, Cobden VIC 3266
Phone: (03) 5595 1191
ABN: 84 117 781 049

www.bendigobank.com.au/cobden
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR9045) (08/09)