Cobden & Districts
Community Finance Limited

ABN 84 117 781 049

annual report 2011

Cobden & Districts **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

It is with pleasure and admiration that I present the sixth Annual Report of the Cobden and Districts Community Finance Limited.

Again as the Chairman, it has been a hard road, and it will continue to be for some time, but the difference we are making now and the success we will see in the longer term for our local communities is something we must continually strive for.

It's pleasing to think of all the **Community Bank®** branch success stories around Australia and one day we will have that writing on the wall also. Today in excess of $60 million has been given back to local communities from local **Community Bank®** branches across Australia. That's an enormous amount of community capital that must make a difference. I admire those communities and I want this community to be like them.

All we are talking about is sustainable community income for our community by just banking with our **Community Bank®** branch - the bank that stays relevant and connected to the community.

My admiration goes out:

- to our shareholders who give us an opportunity to provide their banking
- to our customers who help by just doing something as simple as banking with us
- to our staff who are more than just 'staff members' like those at other banks and
- to our Board who, day in day out sell the concept to our community.

We are a young organisation barely five years old that has been hit by the worst global financial crisis seen by man that has provided and continues to provide many financial aftershocks. We also inherited, and had to redevelop, a Bendigo and Adelaide Bank Ltd service centre in Camperdown when procurement timing was not the best, but we are still here with in excess of $64 million in footings and growing daily.

In Cobden and Camperdown it starts with U.

Our community balance sheet is something that I am very proud of and it needs to be recorded here.

- It is this local community Company Board who decide where the funds go, and it's all about engaging and strengthening our communities
- Over 60 local clubs and organisations have received a benefit from our **Community Bank®** branch
- $69,000 has been given directly back to the local community by grants, sponsorship, and donations by the board in the distribution of our Market Development Fund and other sponsorship programs
- We have two long term partnerships with the Cobden District Health Services Inc and the Cobden Recreation Reserve Committee of Management
- Operation of two **Community Bank®** branches, one in Cobden and one in Camperdown
- The direct employment of eight local community members
- We retain locally, local capital from banking profits
- Provide a local competitive landscape
- Strengthen the community commitment.

The **Community Bank®** concept is not just about banking it is about banking to invest in our social capital so that we can build community infrastructure and build our community and social spirit.

Where to from here? Well the formula is simple - more customers and more funds under management = increased local profits (that would go elsewhere if not with the **Community Bank®** branch) = More local community investment.

Chairman's report continued

We will have an ability to pay more to the community and also to our shareholders by dividends once we are profitable.

Our staff advise us, from their analysis of our accounts, that we currently have approx 48% of our shareholders who substantially bank with us, 17% who have a minimal engagement with us and a disappointing 35% who have no banking with us at all. We need to work harder in selling our message and the reason for our existence (even to those who originally supported us).

> To provide quality banking services to the Cobden and Camperdown districts thus providing a benefit to our shareholders and to our community.

The Cobden and Districts Community Finance Limited owe much to our voluntary Board of Directors who commit themselves to the growth and success of the company. To Margaret McDonald, Duncan Morris, Greg Suter, Don Howard, Gary Stephens, Peter Giblett, Stuart Dawson, Milton Parlour, Gary Kimber and Robert Gunner - thank you for another good year and I look forward to working with you all again.

Kellie Kempton retired last year as a Director but chose to stay on and help with our Community Investment Committee and we thank Kellie also for her commitment and dedication to the community.

Like most successful organisations, successful succession planning is essential. This year we witnessed one of our founding Board and Steering Committee members retiring. Trevor Gardner has been a great and dedicated past Chairman and member of the Board and we will miss his dedicated input and community spirit.

One of the Board's goals is to increase our presence in Camperdown and with that in mind we have signed a Franchise Agreement to become a sub branch in Camperdown. This is a big step for us however a bigger and better step is that we are moving our banking facility to a stand alone shop that will provide better facilities and opportunities for our staff and our Camperdown shareholders and customers. I look forward to the day (very soon) we open this branch.

Our committed Branch Manager Neil Hinkley, and staff members Rebecca Rockliff, Carly Burrows, Dianne Van Heusden, Wendy Brooks, Margaret McMaster, and Lesa Best have, and will, continue to grow our business. I thank them for their work, dedication, and 'can do' attitude towards our company. We need to also thank them for the voluntary time they provide to the community via the company committees they serve on and the community functions they attend. Our staff make it more than just another bank.

Our staff and Board owe an enormous debt of gratitude to many Bendigo and Adelaide Bank Ltd personnel -Tim Rodda and Peter English from the State Office, our Regional Manager Gary Attrill, our Business Banking Managers Brenton Morgan and Luke Gibson, our Agribusiness Manager Rowan Blair, our Financial Planning Manager John Ashford, regional staff Hannah Kearney, Janet Brody and Mellissa Barclay, and Louise Gavros from the State Support Centre, to name but a few. These people have been there when we needed them, have helped out before we asked and have been a great asset to our Company.

Banking with us benefits U and your community.

Together we can build a great community.

Simply by doing your banking with us.

James Green
Chairman

Manager's report

For year ending 30 June 2011

Having completed my first 12 months as Branch Manager of the Cobden & Districts **Community Bank®** Branch and the Camperdown Service Centre I am pleased to note that total business now exceeds $63.9 million and in excess of 2,500 accounts held between both sites.

Thank you to our Regional Office support team, led by Regional Manager Gary Attrill, for their on-going support and guidance.

The appointment of Luke Gibson to our Business Banking team has allowed regular weekly visits to both sites for all business requirements. This is supported by regular visits from Rowan Blair, Agribusiness Manager and John Ashford, Financial Planner.

Our loyal staff have continually adopted the 'Bendigo way' in providing excellent service to our growing band of supporters. Feedback often received confirms that banking with us is a rewarding experience and our staff should be proud of their achievements.

Bendigo and Adelaide Bank Ltd is continually developing a wider range of products and services to meet the needs of our ever prospective clients. We offer a full range of banking services and have specialists in many areas; coupled with the branch and electronic delivery systems available we can genuinely offer all your banking solutions including insurance.

I would like to thank the Board of management of Cobden & Districts Community Finance Limited who have given their time, expertise and energy to ensure the future of the **Community Bank®** branch in both towns.

Going forward we need to continue the growth of our business and I urge all shareholders to consider your branch for all of your banking needs.

As mentioned previously as shareholders, customers, staff and Board members we have one 'common goal' – to continue and grow the total business to become a strong, profitable organisation which gives generous and consistent support to the community.

Neil Hinkley
Manager

Directors' report

For the financial year ended 30 June 2011

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

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

James Alfred Green
Chairman
Age: 50
Civil Engineer
Bachelor of Engineering - Civil
President of the Port Campbell Surf Life Saving Club; Current Board member Hampden Football Netball League.
Special Responsibilities: Chairman
Interest in Shares: 6,001

Trevor John Gardner (Resigned 27 January 2011)
Director
Age: 58
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: Special Projects
Interest in Shares: 1,001

Gregory Leigh Suter
Director
Age: 40
Self Employed cabinet maker managing own business since 1993.
Special Responsibilities: Treasurer; Community Investment
Interest in Shares: 5,001

Margaret Emily McDonald
Secretary
Age: 61
Retired
Legal Conveyancing Clerk for 30 years.
Special Responsibilities: Secretary; Share Register
Interest in Shares: 1,001

Stuart James Dawson
Director
Age:50
Carpenter
Local Golf Club Captain for 10 years
Special Responsibilities: Community Investment Committee
Interest in Shares: 6,001

Donald Francis Howard
Director
Age: 54
Farmer / Director
Current director of Murray Goulburn Co-op Limited
Special Responsibilities: Community Investment Committee
Interest in Shares: 3,001

Directors' report continued

Directors (continued)

Rodney Peter Giblett
Director
Age: 63
Retired
Currently involved in the Red Cross; previously involved in the Cobden Apex Club and Cobden Football Club Committee.
Special Responsibilities: Share Register
Interest in Shares: NIL

Milton John Parlour
Director
Age: 60
Real Estate Agent
Convenor Progressing Cobden; Member of Cobden's 20/20 Vision Group; Vice-President Cobden Tennis Association; President of Owners Corporation Committee.
Special Responsibilities: Community Investment Committee; Marketing Committee; Share Register
Interest in Shares: 2,001

Edwin Duncan Morris
Director
Age: 57
Certified Practising Accountant & Financial Planner
Treasurer of Australian Piper Society; Treasurer Cobden Aero Club; Past President and current board member Cobden & District Health Services.
Special Responsibilities: Vice President; Audit Sub-committee
Interest in Shares: 5,000

Robert Saunders Gunner
Director
Age: 77
Retired
Newsagency business owner for many years.
Involved in the Mens Shed project, Historical Society, Uniting Church Free Community Weekly Meal project & mentoring at local high school.
Special Responsibilities: Community Investment Committee
Interest in Shares: NIL

Gary Kenneth Kimber
Director
Age: 60
Retired
BA, Diploma of Teaching, past school principal; Member of Rotary and South West Model Engineers
Special Responsibilities: Human Resources
Interest in Shares: 1,000

Gary Stephens
Director (Appointed 24 November 2011)
Age: 63
Self Employed Picture Framer
Involved with Advance Camperdown; Camperdown Basketball; Young Farmers; Apex; Founder Drop-in Centres for Youth.
Special Responsibilities: Audit Sub-committee
Interest in Shares: NIL

Kellie Lee Kempton
Treasurer (Resigned 24 November 2010)
Age: 35
Receptionist
Secretary of Camperdown & District Netball Association for over 13 years; Full Time in administration for family business
Special Responsibilities: Community Investment Committee
Interest in Shares: NIL

Directors (continued)

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

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

Company Secretary

The company secretary is Margaret McDonald. Margaret 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 franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating Results

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

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
	(105,905)	(107,625)

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 statements.

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 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 Meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
James Alfred Green	12	10	12	0	12	1
Trevor John Gardner (Resigned 27 January 2011)	12	5	7	1		
Gregory Leigh Suter	12	9				
Margaret Emily McDonald	12	11				
Stuart James Dawson	12	10	12	9		
Donald Francis Howard	12	8	12	5		
Rodney Peter Giblett	12	6				
Milton John Parlour	12	12				
Edwin Duncan Morris	12	11			2	2
Robert Saunders Gunner	12	5				
Gary Kenneth Kimber	12	5			12	4
Gary Stephens	7	4				
Kellie Lee Kempton	5	3				

Chairman is eligible to attend all sub-committee meetings however the chairman attends sub-committee meetings on an as needs basis.

Non Audit Services

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

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

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Cobden & Districts, Victoria on 27th September 2011.

James Alfred Green, Chairman

Gregory Leigh Suter, Director

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Cobden and 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 2011 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.

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

27th September 2011

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	4	538,490	485,677
Employee benefits expense		(331,573)	(311,231)
Charitable donations, sponsorship, advertising and promotion		(15,850)	(22,025)
Occupancy and associated costs		(45,728)	(37,949)
Systems costs		(47,001)	(49,421)
Depreciation and amortisation expense	5	(11,419)	(11,312)
Finance costs	5	(26,342)	(22,832)
General administration expenses		(166,482)	(138,532)
Loss before income tax		**(105,905)**	**(107,625)**
Income tax credit	6	-	-
Loss after income tax		**(105,905)**	**(107,625)**
Total comprehensive loss for the year		**(105,905)**	**(107,625)**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	20	(14.61)	(14.84)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	-	195
Trade and other receivables	8	37,956	38,151
Total Current Assets		**37,956**	**38,346**
Non-Current Assets			
Property, plant and equipment	9	160,289	166,698
Intangible assets	10	69,423	2,000
Deferred tax assets	11	167,729	167,729
Total Non-Current Assets		**397,441**	**336,427**
Total Assets		**435,397**	**374,773**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	22,760	29,307
Borrowings	13	180,355	79,376
Provisions	14	18,046	11,403
Total Current Liabilities		**221,161**	**120,086**
Non-Current Liabilities			
Trade and other payables	12	57,853	-
Borrowings	13	250,000	250,000
Provisions	14	10,267	2,666
Total Non-Current Liabilities		**318,120**	**252,666**
Total Liabilities		**539,281**	**372,752**
Net Assets		**(103,884)**	**2,021**
Equity			
Issued capital	15	698,455	698,455
Accumulated losses	16	(802,339)	(696,434)
Total Equity		**(103,884)**	**2,021**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the Year Ended 30 June 2011

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2009	**698,455**	**(588,809)**	**109,646**
Total comprehensive income for the year	**-**	**(107,625)**	**(107,625)**
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 2010	**698,455**	**(696,434)**	**2,021**
Balance at 1 July 2010	**698,455**	**(696,434)**	**2,021**
Total comprehensive income for the year	**-**	**(105,905)**	**(105,905)**
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 2011	**698,455**	**(802,339)**	**(103,884)**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows From Operating Activities			
Receipts from customers		534,767	485,666
Payments to suppliers and employees		(595,026)	(560,981)
Interest received		7	8
Interest paid		(26,342)	(20,952)
Income taxes paid			
Net cash provided used in operating activities	**17**	**(86,594)**	**(96,259)**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(3,010)	-
Payments for intangible assets		(11,570)	(4,070)
Net cash used in investing activities		**(14,580)**	**(4,070)**
Cash Flows From Financing Activities			
Proceeds from borrowings		-	250,000
Net cash provided by financing activities		**-**	**250,000**
Net increase/(decrease) in cash held		**(101,174)**	**149,671**
Cash and cash equivalents at the beginning of the financial year		(79,181)	(228,852)
Cash and cash equivalents at the end of the financial year	**7(a)**	**(180,355)**	**(79,181)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

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

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.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

  In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

  Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

  Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

  Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

  The company's financial statements contain a single statement of comprehensive income.

  Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

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 Cobden & Camperdown.

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

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Going concern

The company has, as part of its normal operations, obtained a loan and overdraft facility with Bendigo and Adelaide Bank Limited to help finance operations. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2011/12 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank to further develop its business.

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.

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue

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

Revenue calculation

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

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

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

The establishment and 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.

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Recognition and initial measurement (continued)

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

m) Provisions

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

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

n) Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

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.

Note 2. Financial Risk Management (continued)

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

(i) the distribution limit is the greater of:

  (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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.

	2011 $	**2010 $**

Note 4. Revenue from Ordinary Activities

Operating activities:		
- services commissions	538,483	485,669
Total revenue from operating activities	**538,483**	**485,669**
Non-operating activities:		
- interest received	7	8
Total revenue from non-operating activities	**7**	**8**
Total revenues from ordinary activities	**538,490**	**485,677**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	1,955	1,881
- leasehold improvements	7,464	7,431
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	11,419	**11,312**

	Note	2011 $	2010 $

Note 5. Expenses (continued)

	Note	2011 $	2010 $
Finance costs:			
- interest paid		**26,342**	**22,832**
Bad debts		**356**	**1,295**

Note 6. Income Tax Expense

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

	Note	2011 $	2010 $
Operating loss		(105,905)	(107,625)
Prima facie tax on loss from ordinary activities at 30%		(31,772)	(32,288)
Add tax effect of:			
- non-deductible expenses		600	600
- timing difference expenses		2,014	(4,657)
- other deductible expenses		-	(1,592)
Future income tax benefit not brought to account		**(29,158)**	**(37,937)**
Income tax losses			
Opening balance		90,068	60,131
Future income tax benefit not brought to account		29,158	37,937
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:		**119,226**	**90,068**

Note 7. Cash and Cash Equivalents

	Note	2011 $	2010 $
Term deposits		-	195
		-	**195**

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

Note 7.(a) Reconciliation of cash

	Note	2011 $	2010 $
Cash at bank and on hand		-	195
Bank overdraft	13	(180,355)	(79,376)
		(180,355)	**(79,181)**

	2011 $	2010 $

Note 8. Trade and Other Receivables

	2011 $	2010 $
Trade receivables	29,685	25,967
Other receivables and accruals	-	2
Prepayments	8,271	12,182
	37,956	**38,151**

Note 9. Property, Plant and Equipment

	2011 $	2010 $
Plant and equipment		
At cost	33,968	32,483
Less accumulated depreciation	(9,624)	(7,669)
	24,344	**24,814**
Leasehold improvements		
At cost	170,324	168,800
Less accumulated depreciation	(34,379)	(26,916)
	135,945	**141,884**
Total written down amount	**160,289**	**166,698**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	24,813	26,694
Additions	1,485	-
Less: depreciation expense	(1,955)	(1,881)
Carrying amount at end	**24,343**	**24,813**
Leasehold improvements		
Carrying amount at beginning	141,885	149,316
Additions	1,525	-
Less: depreciation expense	(7,464)	(7,431)
Carrying amount at end	**135,946**	**141,885**
Total written down amount	**160,289**	**166,698**

	2011 $	2010 $

Note 10. Intangible Assets

	2011 $	2010 $
Franchise fee		
At cost	21,570	10,000
Less: accumulated amortisation	(10,000)	(8,000)
	11,570	**2,000**
Renewal processing fee		
At cost	57,853	-
Less: accumulated amortisation	-	-
	57,853	**-**
Total written down amount	**69,423**	**2,000**

Note 11. Tax

	2011 $	2010 $
Non-Current:		
Deferred tax assets		
- tax losses carried forward	167,729	167,729
	167,729	**167,729**
Deferred tax liability		
- nil	-	-
	-	**-**
Net deferred tax asset	**167,729**	**167,729**
Movement in deferred tax charged to statement of comprehensive income	**-**	**-**

Note 12. Trade and Other Payables

	2011 $	2010 $
Current:		
Trade creditors	7,822	9,002
Other creditors and accruals	14,938	20,305
Non-Current:		
Trade Creditors	57,853	-
	80,613	**29,307**

	2011 $	2010 $

Note 13. Borrowings

Current:

Bank overdrafts	180,355	79,376
	180,355	**79,376**

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.

Non-Current:

Bank loans	250,000	250,000
	250,000	**250,000**

The bank loan matures on the 3rd of August 2011 and is interest only repayable monthly. Interest is recognised at an average rate of 7.190% (2010: 7.190%). The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:

Provision for annual leave	**18,046**	**11,403**
Non-Current:		
Provision for long service leave	**10,267**	**2,666**
Number of employees at year end	**8**	**7**

Note 15. Contributed Equity

725,012 Ordinary shares fully paid (2010: 725,012)	725,012	725,012
Less: equity raising expenses	(26,557)	(26,557)
	698,455	**698,455**

Note 15. Contributed Equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

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 332 shareholders.

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

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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.

	2011 $	2010 $

Note 16. Accumulated Losses

	2011 $	2010 $
Balance at the beginning of the financial year	(696,434)	(588,809)
Net loss from ordinary activities after income tax	(105,905)	(107,625)
Balance at the end of the financial year	**(802,339)**	**(696,434)**

Note 17. Statement of Cashflows

	2011 $	2010 $
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(105,905)	(107,625)
Non cash items:		
- depreciation	9,419	9,312
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	195	(827)
- increase/(decrease) in payables	(6,546)	12,045
-increase/(decrease) in provisions	14,243	(11,164)
Net cashflows provided used in operating activities	**(86,594)**	**(96,259)**

Notes to the financial statements continued

	2011 $	2010 $

Note 18. Auditors' Remuneration

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

- audit and review services	4,957	3,740
- non audit services	72	239
	5,029	**3,979**

Note 19. Director and Related Party Disclosures

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

James Alfred Green

Trevor John Gardner (Resigned 27 January 2011)

Gregory Leigh Suter

Margaret Emily McDonald

Stuart James Dawson

Donald Francis Howard

Rodney Peter Giblett

Milton John Parlour

Edwin Duncan Morris

Robert Saunders Gunner

Gary Kenneth Kimber

Gary Stephens (Appointed 24 November 2010)

Kellie Lee Kempton (Resigned 24 November 2010)

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

Director & Chairman James Green is the owner of Greencon Australia Pty Ltd civil construction company. During the 2011 financial year Cobden & Districts Community Finance Limited engaged Greencon Australia Pty Ltd to complete security improvements to the Camperdown branch. The total amount payable to Greencon Australia Pty Ltd relating to these services was $1677.50. (2010: $425.70) The purchase was made on normal commercial terms.

Director Duncan Morris is the owner of Duncan Morris & Associates accounting practice. During the 2011 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 and prepare half year and year end financial reports for shareholders. The total amount payable to Duncan Morris & Associates relating to this service was $5,280. (2010: $5,280) The purchase was made on normal commercial terms.

Note 19. Director and Related Party Disclosures (continued)

Directors Shareholdings	**2011**	**2010**
James Alfred Green	6,001	6,001
Trevor John Gardner (Resigned 27 January 2011)	1,001	1,001
Gregory Leigh Suter	5,001	5,001
Margaret Emily McDonald	1,001	1,001
Stuart James Dawson	6,001	6,001
Donald Francis Howard	3,001	3,001
Rodney Peter Giblett	-	-
Milton John Parlour	2,001	2,001
Edwin Duncan Morris	5,000	5,000
Robert Saunders Gunner	-	-
Gary Kenneth Kimber	1,000	1,000
Gary Stephens (Appointed 24 November 2010)	-	-
Kellie Lee Kempton (Resigned 24 November 2010)	-	-

There was no movement in directors shareholdings during the year.

	2011 $	**2010 $**
Note 20. Earnings Per Share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(105,905)	(107,625)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	725,012	725,012

Note 21. 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 22. Contingent Liabilities

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

Note 23. Segment Reporting

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

Note 24. 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	Principal Place of Business
37 Curdie Street	37 Curdie Street
Cobden VIC 3266	Cobden VIC 3266

Note 25. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Notes to the financial statements continued

Note 25. Financial Instruments (continued)

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	195	0.00	0.00
Receivables	-	-	-	-	-	-	-	-	26,685	25,967	N/A	N/A
Financial Liabilities												
Interest bearing liabilities		79,376	-	-	250,000	250,000	-	-	-	-	6.91	8.23
Payables	-	-	-	-	-	-	-	-	68,782	21,135	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 2011 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.

James Alfred Green, Chairman

Gregory Leigh Suter, Director

Signed on the 27th of September 2011

Partners in success

Chartered Accountants

Independent Auditor's Report To The Members Of Cobden and Districts Community Finance Limited

Report on the Financial Report

We have audited the accompanying financial report of Cobden and Districts Community Finance Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Independence

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

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Cobden and Districts Community Finance 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 2011 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 2011. 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 and Districts Community Finance Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

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

27th September 2011

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
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11116) (10/11)

Bendigo Bank