

Cobden & Districts
Community Finance Limited

ABN 84 117 781 049

**ANNUAL
REPORT
2013**

Contents

Chairman's report	2
Manager's report	4
Bendigo and Adelaide Bank report	5
Directors' report	7
Auditor's independence declaration	12
Financial statements	13
Notes to the financial statements	17
Directors' declaration	36
Independent audit report	37

Chairman's report

For year ending 30 June 2013

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

Well we have now made it! The company is now trading profitably and will continue to do so if all external factors stay the same. It has been a hard road, and will be for some time, but the difference we make now and the difference we 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**[®] branches success stories around Australia. Today in excess of \$102 million has been given back to local communities from local **Community Bank**[®] branches. 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 your **Community Bank**[®] branch. The **Community Bank**[®] branch 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 by just doing something as simple as banking with us,
- to our staff who are more than just another banks "staff members" and
- to our Board who, day in day out freely sell the **Community Bank**[®] concept to our community.

We are a young organisation barely seven years old that has been trying to survive in an era that has seen;

- The worst global financial crisis seen by man.
- The GFC continues to provide many financial aftershocks.
- Redevelopment of a Bendigo and Adelaide Bank service centre to a sub branch in Camperdown.
- Bendigo and Adelaide Bank 'Restoring the Balance' Program.
- Very slow economy particularly in rural infrastructure and services.

However we have still managed to grow the business to have in excess of \$100 million in footings and growing daily.

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

- It's this local community Board who decide where the funds go, and it's all about engaging and strengthening our communities.
- Over 80 local clubs and organisations have received a benefit from our **Community Bank**[®] branches.
- \$120,000 has been given directly back to the local community by way of grants, sponsorship, and donations by the Board's sponsorship programs.
- This sponsorship program will grow in value approximately \$90,000 every year.
- We have two long-term partnerships with the Cobden District Health Services Inc, Cobden Rotary with the Business Awards and the Cobden Recreation Reserve Committee of Management (in conjunction with the sporting clubs involved.)
- Operation of two branches, one in Cobden and one in Camperdown.
- The direct employment of eight local community members.

Chairman's report (continued)

- We disperse locally, local capital from branch profits.
- Provide a local competitive landscape.
- This all helps to strengthen the community commitment.

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.

Our staff advise us, from their analysis of our accounts, that we currently have approximately 49% of our shareholders who substantially bank with us, 17% who have a minimal engagement with us and a disappointing 34% who have no banking with us at all. We need to work harder in selling our message and the reason for existence, (even to those who originally supported us):

To provide quality banking services to benefit our shareholders and our community.

The Board has an enormous depth of commitment to the company, partnered by a great vision for the community. They continue to be proactive in ensuring the business continues to achieve the best outcomes for our shareholders, customers, staff and the company.

To our Company Secretary Margaret McDonald, we thank you for your time and diligence to ensure that we are operating correctly and efficiently. To Anita Chivell, Greg Suter, Peter Giblett, Stuart Dawson, Milton Parlour, Duncan Morris, Gary Kimber, and Chris Bodey, I thank you for another good year and I look forward to working with you all again.

Our Board was saddened by our loss of Robert Gunner during the year, who had a long illness, but always willing to help and support our company and our goals. Our memory of Rob will stay with us forever and we have a dedication to Rob in our Camperdown branch, of which Rob owned before selling to us.

We see Don Howard retiring from the Board during the latter part of the year. Don is a founding Board member and has contributed an enormous amount of time, energy and commitment to our cause. Don has done the hard yards and is now passing the baton onto a new member in new era in our company.

Don also ensured that succession planning is in place and we welcome Rob Fleming to our board to fill the vacancy left by Don. Our committed staff, with our Branch Manager Neil Hinkley, and staff members, Dianne Van Heusden, Margaret McMaster, Wendy Bateman, Vicki Fitzgerald, Kim Lenehan, Rachael Anson, 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 their volunteer 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 amount to the Bendigo and Adelaide Bank state staff, with Tim Rodda and all. Also our regional partners, with our recently resigned Regional Manager Gary Attrill, new Regional Manager Sophia Cole, Business Banking Managers Brenton Morgan and Luke Gibson, Agribusiness Manager Rowan Blair, Business Banking Officers Janet Brody and Mellissa Barclay and regional staff Tim Mason, Caius Ryan, Valerie Matthews and Lara Ebery. These people have been there when we needed them, have helped out before we asked and have been a great asset to our company.



James Green
Chairman

Manager's report

For year ending 30 June 2013

Another year on and what an exciting year it has been. Total business at Cobden & Districts **Community Bank**[®] Branch and Camperdown branch combined now exceeds \$100 million with the number of accounts now in excess of 3,100.

I wish to acknowledge and thank our loyal staff members at both sites for their commitment and support. Their endeavours to provide a high standard of customer service to our customers and potential customers has been rewarding to all and made banking within our branches an enjoyable experience.

A special thank you to Board Chairman James Green and his fellow Board members for their ongoing support. As volunteers they give their time and energy to ensure the future of the Cobden & Districts **Community Bank**[®] Branch and Camperdown branch.

I would also like to thank our Regional Office support team for their support and guidance. Bendigo and Adelaide Bank continues to support us with the release of new products and services. We have a new licensed Financial Planner, Steve Harris, available for appointments at both sites or at his Warrnambool office, Agri-Business Manager Rowan Blair along with Business Banking Manager Luke Gibson with both available on a regular weekly basis.

However, we must not rest here. Going forward we need to continue building our business. It is a goal of mine along with the Board of management and the Bendigo and Adelaide Bank to increase our total business to \$110 million over the next 12 months.

I wish to thank those shareholders who have transferred their banking business to our **Community Bank**[®] branch and urge shareholders who have not yet transferred their banking to support your initial share purchase by calling at either branch to discuss your requirements.

As shareholders, customers, staff and Board members, we have one common goal – to grow the **Community Bank**[®] branches in Cobden and Camperdown to become a strong, profitable organisation which is able to give generous and consistent support to the community.



Neil Hinkley
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank**[®] network, celebrating its 15th anniversary of operation while also reaching \$100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank**[®] model has become so much more.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank**[®] model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank**[®] sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$102 million
- **Community Bank**[®] branches – 298
- **Community Bank**[®] branch staff – more than 1,460
- **Community Bank**[®] company Directors – 1,925
- Banking business – \$24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – \$30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This \$100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco[®] (telecommunications solution), tertiary education scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance.

Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least “A-” by Standard & Poor’s, Moody’s and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank**[®] partners. As a result some **Community Bank**[®] companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank**[®] model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer’s choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

With the community’s support, there really is no limit to what can be achieved under the **Community Bank**[®] model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

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

Occupation: Civil Engineer/Managing Director

Qualifications, experience and expertise: Bachelor of Engineering - Civil; President of the Port Campbell Surf Life Saving Club; GAICD; Chair of Cobden Sports Club Inc.; current Hampden Football Netball League Board member.

Special responsibilities: Chairman

Interest in shares: 3,001*

* One of his children has come of age and has taken control of his shares.

Gregory Leigh Suter

Treasurer

Occupation: Business Manager/Cabinet Maker

Qualifications, experience and expertise: Self Employed Cabinet maker managing own business since 1993.

Special responsibilities: Treasurer; Finance & Audit Committee; Maintenance Committee

Interest in shares: 5,001

Margaret Emily McDonald

Secretary

Occupation: Retired

Qualifications, experience and expertise: Legal Conveyancing Clerk for 30 years.

Special responsibilities: Secretary; Share Register; Community Investment Committee

Interest in shares: 1,001

Stuart James Dawson

Director

Occupation: Carpenter

Qualifications, experience and expertise: Qualified Carpenter for 8 years, Local Golf Club Captain for 10 years and previously business owner of Cobden Newsagent for 7 years.

Special responsibilities: Community Investment Committee; Maintenance Committee

Interest in shares: 6,001

Donald Francis Howard

Director

Occupation: Farmer/Director

Qualifications, experience and expertise: Current director of Murray Goulburn Co-op Limited.

Special responsibilities: Business Development Committee

Interest in shares: 3,001

Rodney Peter Giblett

Director

Occupation: Retired

Qualifications, experience and expertise: Has 30 years experience in the banking industry and worked in the post office and newsagent for 8 years. Currently involved in the Red Cross.

Special responsibilities: Business Development & HR Committee

Interest in shares: NIL

Directors' report (continued)

Directors (continued)

Milton John Parlour

Director

Occupation: Real Estate Agent

Qualifications, experience and expertise: Current Progressing Cobden Committee of Management, Corangamite Shire Councillor (3 years), Vice-President of Cobden Tennis Association, Cobden Civic Hall Committee of Management, Corangamite Citizen of the Year 2013 and previously Vice President of Cobden Rec Reserve .

Special responsibilities: Business Development Committee

Interest in shares: 2,001

Gary Kenneth Kimber

Director

Occupation: Retired

Qualifications, experience and expertise: BA, Diploma of Teaching, past school principal; Member of Rotary and South West Model Engineers.

Special responsibilities: Human Resources

Interest in shares: 1,000

Anita Caroline Elizabeth Chivell

Director (Appointed 7 November 2012)

Occupation: Accountant

Qualifications, experience and expertise: Certified Practising Accountant, B.Comm & Post Graduate Diploma in Computing; Cobden & District Kindergarten Treasurer. Current Australian Tax Office 'Tax Help' Volunteer (Terang & Mortlake Health Service).

Special responsibilities: Finance & Audit Committee

Interest in shares: 2,000

Gary Stephens

Director (Resigned 12 July 2012)

Occupation:

Qualifications, experience and expertise: Involved with Advance Camperdown; Camperdown Basketball; Young Farmers; Apes; Founder Drop-in Centres for youth.

Special responsibilities: Finance & Audit Committee

Interest in shares: NIL

Edwin Duncan Morris

Director

Occupation: Certified Practising Accountant & Financial Planner

Qualifications, experience and expertise: Demo Dairy Co-op Ltd board member; President of Australian Piper Society Inc; Past President and current Cobden & District Health Services board member; MAICD.

Special responsibilities: Finance & Audit Committee

Interest in shares: 5,000

Christopher Raymond Bodey

Director

Occupation: Farmer

Qualifications, experience and expertise: ; Cobden Airport Committee of Management committee member. Previously UDV Branch President, CFA

Captain and Cobden Technical School Councillor.

Special responsibilities: Business Development Committee

Interest in shares: 1,000

Robert Saunders Gunner

Director (Resigned 12 March 2013)

Occupation: Retired

Qualifications, experience and expertise: Newsagency business owner for 41 years; Involved in the committee of the Historical Society; Uniting Church Projects.

Special responsibilities: Community Investment Committee

Interest in shares: NIL

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

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

Directors' report (continued)

Company Secretary

The company secretary is Margaret McDonald. Margaret was appointed to the position of secretary on 28 October 2008. Margaret has had 30 years experience as a Legal Conveyancing Clerk.

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 profit/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	17,912	132,333

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' report (continued)

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 20 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:

Director	Board Meetings Attended		Committee Meetings Attended			
			Finance		Community Investment	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
James Alfred Green #	12	12	12	9	12	1
Gregory Leigh Suter	12	7	12	11	-	-
Margaret Emily McDonald	12	10	-	-	12	9
Stuart James Dawson	12	10	-	-	12	11
Donald Francis Howard	12	2	-	-	-	-
Redney Peter Giblett	12	7	-	-	-	-
Milton John Parlour	12	9	-	-	-	-
Edwin Duncan Morris	12	9	12	8	-	-
Gary Kenneth Kimber	12	5	-	-	-	-
Christopher Raymond Bodey	12	11	-	-	-	-
Anita Caroline Elizabeth Chivell (Appointed 7 November 2012)	8	7	8	7	-	-
Robert Saunders Gunner (Resigned 12 March 2013)	8	6	-	-	8	3
Gary Stephens (Resigned 12 July 2012)	1	-	-	-	-	-

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

Directors' report (continued)

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 12.

Signed in accordance with a resolution of the board of directors at Cobden, Victoria on 20 September 2013.



James Alfred Green,
Chairman


Auditor's independence declaration



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 2013 there have been no contraventions of:

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



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 20 September 2013

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

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	659,323	675,006
Employee benefits expense		(352,466)	(324,450)
Charitable donations, sponsorship, advertising and promotion		(31,348)	(96,791)
Occupancy and associated costs		(38,868)	(32,332)
Systems costs		(35,288)	(49,911)
Depreciation and amortisation expense	5	(37,011)	(29,844)
Finance costs	5	(51,761)	(38,984)
General administration expenses		(86,993)	(101,893)
Profit before income tax (expense)/credit		25,588	801
Income tax (expense)/credit	6	(7,676)	131,532
Profit after income tax (expense)/credit		17,912	132,333
Total comprehensive income for the year		17,912	132,333
Earnings per share (cents per share)		c	c
- basic for profit for the year	21	2.47	18.25

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	-	5,688
Trade and other receivables	8	77,632	65,540
Total Current Assets		77,632	71,228
Non-Current Assets			
Property, plant and equipment	9	429,977	447,737
Intangible assets	10	56,654	74,538
Deferred tax assets	11	291,585	299,261
Total Non-Current Assets		778,216	821,536
Total Assets		855,848	892,764
LIABILITIES			
Current Liabilities			
Trade and other payables	12	56,774	193,281
Borrowings	13	122,078	15,675
Provisions	14	22,100	27,272
Total Current Liabilities		200,952	236,228
Non-Current Liabilities			
Trade and other payables	12	24,159	48,318
Borrowings	13	569,687	578,687
Provisions	14	14,689	1,082
Total Non-Current Liabilities		608,535	628,087
Total Liabilities		809,487	864,315
Net Assets		46,361	28,449
Equity			
Issued capital	15	698,455	698,455
Accumulated losses	16	(652,094)	(670,006)
Total Equity		46,361	28,449

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2013

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	698,455	(802,339)	(103,884)
Total comprehensive income for the year	-	132,333	132,333
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 2012	698,455	(670,006)	28,449
Balance at 1 July 2012	698,455	(670,006)	28,449
Total comprehensive income for the year	-	17,912	17,912
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	698,455	(652,094)	46,361

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		593,231	656,565
Payments to suppliers and employees		(643,194)	(616,475)
Interest received		-	101
Interest paid		(51,761)	(37,118)
Net cash provided by/(used in) operating activities	17	(101,724)	3,073
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,367)	(150,231)
Payments for intangible assets		-	(11,161)
Net cash used in investing activities		(1,367)	(161,392)
Cash Flows From Financing Activities			
Proceeds from borrowings		(9,000)	344,362
Net cash provided by/(used in) financing activities		(9,000)	344,362
Net increase/(decrease) in cash held		(112,091)	186,043
Cash and cash equivalents at the beginning of the financial year		5,688	(180,355)
Cash and cash equivalents at the end of the financial year	7(a)	(106,403)	5,688

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

Notes to the financial statements (continued)

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**[®] branches at Cobden and 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.

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

b) Revenue

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

Revenue calculation

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

The third source of revenue is a proportion of the fees and charges (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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

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

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

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

	2013	2012
	\$	\$

Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	659,323	674,902
Total revenue from operating activities	659,323	674,902

Non-operating activities:

- interest received	-	104
Total revenue from non-operating activities	-	104
Total revenues from ordinary activities	659,323	675,006

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	2,560	4,647
- leasehold improvements	16,567	10,313

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses (continued)			
Amortisation of non-current assets:			
- franchise agreement		6,314	3,314
- franchise renewal fee		11,570	11,570
		37,011	29,844
Finance costs:			
- interest paid		51,761	38,984
Bad debts		57	49

Note 6. Income Tax Credit

The components of tax credit comprise:

- Current tax		-	-
- Future income tax benefit attributed to losses		-	(4,940)
- Movement in deferred tax		(3,594)	(1,846)
- Previous period deferred tax benefit brought to account		-	(124,746)
- Recoupment of prior year tax losses		11,270	-
		7,676	(131,532)

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

Operating profit		25,588	800
Prima facie tax on profit from ordinary activities at 30%		7,676	240
Add tax effect of:			
- non-deductible expenses		-	1,468
- timing difference expenses		3,594	(6,648)
- other deductible expenses		-	-
		11,270	(4,940)
Movement in deferred tax	11	(3,594)	(1,846)
Previous period deferred tax benefit brought to account		-	(124,746)
		7,676	(131,532)

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 7. Cash and Cash Equivalents			
Cash at bank and on hand		-	5,688
		-	5,688

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

Cash at bank and on hand		-	5,688
Bank overdraft	13	(106,403)	-
		(106,403)	5,688

Note 8. Trade and Other Receivables

Trade receivables		58,786	42,723
Other receivables and accruals		278	3
Prepayments		18,568	22,814
		77,632	65,540

Note 9. Property, Plant and Equipment

Plant and equipment

At cost		52,888	51,522
Less accumulated depreciation		(16,831)	(14,271)
		36,057	37,251

Leasehold improvements

At cost		454,724	454,724
Less accumulated depreciation		(60,804)	(44,238)
		393,920	410,486

Total written down amount		429,977	447,737
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning		37,249	24,343
Additions		1,366	17,553
Less: depreciation expense		(2,560)	(4,647)
Carrying amount at end		36,055	37,249

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	410,488	135,946
Additions	-	288,747
Disposals	-	(3,892)
Less: depreciation expense	(16,566)	(10,313)
Carrying amount at end	393,922	410,488
Total written down amount	429,977	447,737

Note 10. Intangible Assets

Establishment/Franchise fee		
At cost	41,570	41,570
Less: accumulated amortisation	(19,628)	(13,314)
	21,942	28,256
Renewal processing fee		
At cost	57,853	57,853
Less: accumulated amortisation	(23,141)	(11,571)
	34,712	46,282
Total written down amount	56,654	74,538

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	-	46
- employee provisions	11,037	8,507
- tax losses carried forward	286,146	297,415
	297,183	305,968
Deferred tax liability		
- accruals	28	1
- deductible prepayments	5,570	6,706
	5,598	6,707
Net deferred tax asset	291,585	299,261
Movement in deferred tax charged to statement of comprehensive income	7,676	(131,532)

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 12. Trade and Other Payables		
Current:		
Trade creditors	56,774	37,213
Other creditors and accruals	-	156,068
	56,774	193,281
Non-Current:		
Trade Creditors	24,159	48,318
	80,933	241,599

Note 13. Borrowings

Current:		
Bank overdraft	106,403	-
Vendor Finance - R S Gunner	15,675	15,675
	122,078	15,675
Non-Current:		
Vendor Finance - R S Gunner	69,687	78,687
Bank loans	500,000	500,000
	569,687	578,687

The bank overdraft has an approved limit of \$150,000 and attracts an interest rate of 8.060% per agreement with Bendigo and Adelaide Bank Limited. The overdraft is secured by a fixed and floating charge over the Company's assets.

The vendor finance matures 4th November 2016 and interest and principal is repayable monthly. Interest is recognised at an average rate of 7.50%. The loan is secured by a fixed charge over the property at 151 Manifold Street, Camperdown.

The bank loan matures 8th March 2017 and is interest only for the first two years, repayable monthly. Interest is recognised at an average rate of 7.39% (2012:7.65%). The loans are secured by a fixed and floating charge over the company's assets.

	2013 \$	2012 \$
Note 14. Provisions		
Current:		
Provision for annual leave	22,100	18,119
Provision for long service leave	-	9,153
	22,100	27,272

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 14. Provisions (continued)

Non-Current:

Provision for long service leave	14,689	1,082
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Note 15. Contributed Equity

725,012 Ordinary shares fully paid (2012: 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 member has the right to vote at a general meeting.

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

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

Note 15. Contributed Equity (continued)

Rights attached to shares (continued)

(b) Dividends

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

(c) Transfer

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

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

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 302. As at the date of this report, the company had 331 shareholders.

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

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

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

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

	2013 \$	2012 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(670,006)	(802,339)
Net profit from ordinary activities after income tax	17,912	132,333
Balance at the end of the financial year	(652,094)	(670,006)

Note 17. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by/(used in) operating activities

Profit from ordinary activities after income tax	17,912	132,333
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Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 17. Statement of Cashflows (continued)		
Non cash items:		
- depreciation	19,127	14,959
- amortisation	17,884	14,885
- loss on disposal of non current assets	-	3,892
Changes in assets and liabilities:		
- increase in receivables	(9,675)	(27,584)
- decrease/(increase) in other assets	7,676	(131,532)
- decrease in payables	(163,083)	(3,921)
- increase in provisions	8,435	41
Net cashflows provided by/(used in) operating activities	(101,724)	3,073

Note 18. Leases

Operating lease commitments

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

Payable - minimum lease payments

- not later than 12 months	14,860	14,496
- between 12 months and 5 years	29,719	43,489
- greater than 5 years	-	-
	44,579	57,985

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

Note 19. Auditors' Remuneration

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

- audit and review services	4,700	4,500
- non audit services	432	960
	5,132	5,460

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures

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

James Alfred Green
Gregory Leigh Suter
Margaret Emily McDonald
Stuart James Dawson
Donald Francis Howard
Rodney Peter Giblett
Milton John Parlour
Edwin Duncan Morris
Gary Kenneth Kimber
Christopher Raymond Bodey
Anita Caroline Elizabeth Chivell (Appointed 7 November 2012)
Robert Saunders Gunner (Resigned 12 March 2013)
Gary Stephens (Resigned 12 July 2013)

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 director of Greencon Australia Pty Ltd civil construction company. During the 2012 financial year Cobden & Districts Community Finance Limited engaged Greencon Australia Pty Ltd to complete the Camperdown Branch fit-out. The total amount payable to Greencon Australia Pty Ltd relating to these services was \$2,820 (2012: \$139,512). The purchase was made on normal commercial terms.

Director Duncan Morris is the owner of Duncan Morris & Associates accounting practice. During the 2013 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 \$6,600 (2012: \$5,610). The purchase was made on normal commercial terms.

Directors Shareholdings	2013	2012
James Alfred Green*	3,001	6,001
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
Gary Kenneth Kimber	1,000	1,000
Christopher Raymond Bodey	1,000	1,000

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures (continued)

Directors Shareholdings	2013	2012
Anita Caroline Elizabeth Chivell (Appointed 7 November 2012)	2,000	2,000
Robert Saunders Gunner (Resigned 12 March 2013)	-	-
Gary Stephens (Resigned 12 July 2012)	-	-

* One of his children has come of age and has taken control of his shares.

There was no movement in directors shareholdings during the year.

	2013	2012
	\$	\$

Note 21. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	17,912	132,333
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	725,012	725,012

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Note 24. Segment Reporting

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

Note 25. Registered Office/Principal Place of Business

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

Registered Office	Principal Place of Business
37 Curdie Street	37 Curdie Street
Cobden VIC 3266	Cobden VIC 3266

Notes to the financial statements (continued)

Note 26. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	-	5,688	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	58,786	42,723	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	106,403	-	15,675	15,675	569,687	578,688	-	-	-	-	7.39	7.65
Payables	-	-	-	-	-	-	-	-	-	76,343	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 2013 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

Signed on the 20th of September 2013.

Independent audit report



Independent auditor's report to the members of Cobden & Districts Community Finance Limited

Report on the financial report

We have audited the accompanying financial report of Cobden & Districts Community Finance Limited, which comprises the balance sheet as at 30 June 2013, 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.

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Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Cobden & 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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 20 September 2013

Cobden & Districts **Community Bank**[®] Branch
37 Curdie Street, Cobden VIC 3266
Phone: (03) 5595 1191 Fax: (03) 5595 1149
www.bendigobank.com.au/cobden

Camperdown branch
207 Manifold Street, Camperdown VIC 3260
Phone: (03) 5593 2434 Fax: (03) 5593 2460
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(BMPAR13148) (10/13)

