

Annual Report 2014

Cobden & Districts
Community Finance Limited

ABN 84 117 781 049

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

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Chairman's report

For year ending 30 June 2014

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

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 is pleasing to think of all the **Community Bank**[®] branches' success stories around Australia. Today in excess of \$125 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 our 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 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 by just doing something as simple as banking with us,
- to our staff, who are more than just another banks' "staff members",
- to our Board, who, day in day out freely sell the **Community Bank**[®] concept to our community, and
- to our community supporters, who are growing in numbers every day.

Everyone can contribute to a successful and sustainable community – just through banking.

We still have many issues and threats to contend with as we now pass 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.

We have still managed to grow the business to have in excess of \$106 million in footings and growing daily. However, we need to be mindful of what some of the threats and risks we may see in the next few years; namely, Restoring the Balance and Project Horizon programs by Bendigo and Adelaide Bank that may see our profitability reduce.

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

- It is this local community Board who decide where the funds go, and it is all about engaging and strengthening our communities.
- Over 80 local clubs and organisations have received a benefit from our **Community Bank**[®] branch.
- \$180,000 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 plus every year.
- We have three 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 **Community Bank**[®] branches, one in Cobden and one in Camperdown.

Chairman's report (continued)

- Opportunity for long term agency development in Port Campbell and Derrinallum.
- The direct employment of eight local community members.
- We disperse locally, local capital from our branches' 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 approx 49% of our shareholders who substantially bank with us, 19% who have a minimal engagement with us and a disappointing 33% 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, Margaret McDonald our Company Secretary we thank you for your time and diligence to ensure that we are operating correctly and efficiently. To our Treasurer, Anita Chivell, who has really added another dimension to our Board, Gary Kimber, our Vice Chairman has performed extremely well representing our organisation at many clubs and groups throughout the year and who also provides exceptional support to the role of the chair. Greg Suter, Peter Giblett, Stuart Dawson, Milton Parlour, Gary Kimber, Chris Bodey, and our newest Member Rob Fleming, who comes with a large business and community resume, I thank you for another good year and I look forward to working with you all again.

We have Stuart retiring at the Annual General Meeting and I thank Stu for over 10 years of dedicated service to the **Community Bank**[®] model. Stuart started right from the beginning and has been extremely dedicated since to ensure that we are successful. Stuart provided many hours during the formation years, and followed through with similar dedication with the Community Investment Committee for all the years we have been in operation. Stuart you have served well and we thank you for all the time and effort to get us to profitability.

Our committed staff, with our Manager Neil Hinkley, and staff members, Dianne Van Heusden, Margaret McMaster, Wendy Bateman, Vicki Fitzgerald, Kim Lenehan (recently retired), Rachael Anson, Robyn Neal (recently appointed), 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 state Bendigo and Adelaide Bank staff with Tim Rodda and all. Also our regional partners, with our recently appointed Regional Manager Scott Whatley, Business Banking Managers Brenton Morgan and Luke Gibson, Agribusiness Manager Rowan Blair, and regional staff Tim Mason. These people have been there when we needed them, have helped out before we asked and have been a great asset to our company.

We are **Bigger than a bank.**



James Green
Chairman

Manager's report

For year ending 30 June 2014

Another year on has seen Cobden & Districts Financial Services Limited's branches in Cobden and Camperdown with total business of approximately \$105 million with account numbers now exceeding 3,350.

Firstly, I would like to thank our dedicated staff members; Cobden **Community Bank**[®] Branch – Marg McMaster, Dianne Van Heusden, Wendy Bateman and Robyn Neil, Camperdown branch – Lesa Best, Rachael Anson and Vicki Fitzgerald for their continued loyal support, excellent customer service they provide. The teamwork demonstrated is very much appreciated.

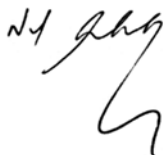
Support and guidance from our Regional Office Support Team led by Scott Whatley is very much appreciated, specialist Business Banking Manager Luke Gibson along with Rural Business Banker Rowan Blair who continue to support both sites on a weekly basis. Wealth Specialist Steve Harris is available for appointment at either branch as required.

Our partner Bendigo and Adelaide Bank continues to develop new products and services to meet the changing lifestyles that we now live.

Special thank you to Board Chairman James Green and his fellow Board members for their on-going support and guidance, as volunteers they provide their time, expertise and energy to ensure the future of the **Community Bank**[®] branches in both towns.

Going forward we need to continue the growth of our business and I urge all shareholders to consider your **Community Bank**[®] 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 total business to become a strong profitable organisation which gives generous and consistent support to the community.



Neil Hinkley
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**[®] network, celebrating the opening of its 300th branch while also reaching \$120 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 doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

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 projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank**[®] branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**[®] branches – 305
- **Community Bank**[®] branch staff – more than 1,500
- **Community Bank**[®] company Directors – 1,900
- Banking business – \$24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – \$36.7 million.

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 Connected Communities Enterprises that provide **Community Bank**[®] companies with further development options.

Bendigo and Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank**[®] model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank**[®] National Conference in Darwin in September.

Bendigo and Adelaide Bank's vision is to be Australia's most 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 respectfully listen and respond to every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new www.bendigobank.com.au website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

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

The **Community Bank**[®] model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Community contributions

List of community organisations that the **Community Bank**[®] branch has provided a community investment to.

2006 to June 2013

1st Cobden Scout Group
 Advance Camperdown
 Ban the Bulb Project
 Beacon Newsletter
 Bookar Cricket Club
 Camperdown Angling Club
 Camperdown Bowling Club
 Camperdown College
 Camperdown Community House
 Camperdown Community Stadium
 Camperdown Cruise Inc
 Camperdown Cycling Club
 Camperdown Football Netball Club
 Camperdown Girl Guides
 Camperdown Golf Bowls Club
 Camperdown Playgroup Inc
 Camperdown Pre-School Assoc
 Camperdown Toy Library
 Camperdown Traders Night
 Cobden & District Health Services
 Cobden & District Kindergarten
 Cobden & District Historical Society
 Cobden & District Pony Club
 Cobden Aero Club
 Cobden Airport Committee of Management
 Cobden Amateur Angling Club Inc
 Cobden Art Club (CDHS)
 Cobden Bowling Club
 Cobden District Health Services
 Cobden District Pony Club
 Cobden Fire Brigade
 Cobden Golf Club Inc
 Cobden Junior Football Club
 Cobden Mens Shed
 Cobden Playgroup
 Cobden Primary School
 Cobden Recreation Reserve

Cobden Safety House Committee
 Cobden Swimming and Life saving Club
 Cobden Technical School
 Cobden Play Group
 Cooina Terang
 Corangamite Junior Hockey Association
 Corangamite Model Aircraft Club
 Heytesbury Agricultural Society
 Heytesbury Indoor Bias Bowls Assoc
 Lions Club Camperdown
 Lismore Primary School
 Mercy Regional College
 Nirranda Football Netball Club Inc
 Noorat Agricultural Society
 Port Campbell Suf Life Saving Club
 Progressing Cobden Inc
 Relay for Life
 Rotary Club of Camperdown
 Rotary Club of Cobden
 Simpson Indoor Bias Bowls Club
 Simpson Kindergarten
 Skipton & District Campdraft Club
 South West Kart Club
 South Western District Restoration Group
 Southwest Healthcare Camperdown
 St Patricks School
 Uniting Church in Camperdown
 Variety Club of Victoria
 YMCA

July 2013 to June 2014

1st Cobden Scout Group
 Advance Camperdown
 Camperdown Angling Club
 Camperdown Bowling Club
 Camperdown Football Netball Club
 Camperdown Golf Bowls Club
 Camperdown Lions Club
 Camperdown Playgroup
 Camperdown Pre-School Assoc
 Camperdown Theatre Co. Ltd.
 Camperdown Toy Library
 Camperdown-Cobden Phone Direct.
 Cobden & District Health Services
 Cobden & District Kindergarten
 Cobden Angling Club
 Cobden Bowling Club
 Cobden Golf Club
 Cobden Primary School
 Cobden Technical School
 Derrinallum Yacht & Power Boat Club
 Hampden Tennis Association
 Port Campbell Police
 Port Campbell Progress Group
 Port Campbell Surf Life Saving Club
 Probus Club of Camperdown
 Progressing Cobden Inc
 Quota International of Cobden
 Rotary Club of Cobden
 Simpson & District Community Centre
 South West District Restoration Group
 St Patricks School Association
 Christmas Lights Competition

Directors' report

For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

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

James Alfred Green

Chairman

Occupation: Civil Engineer/Managing Director

Qualifications, experience and expertise: Bachelor of Engineering - Civil MIEA; Immediate past President of the Port Campbell surf Life Saving Club; Chair of Cobden Sports Club Inc.; Current Hampden Football Netball League Board member.

Special responsibilities: Chairman

Interest in shares: 3001

Gary Kenneth Kimber

Deputy Chairman

Occupation: Retired

Qualifications, experience and expertise: BA, Diploma of Teaching, retired school teacher & Principal, Coach of Experienced Principals; Member of Rotary Club of Cobden and South West Model Engineers and Cobden Men's Shed.

Special responsibilities: Human Resources; Community Investment Committee

Interest in shares: 1000

Anita Caroline Elizabeth Chivell

Treasurer

Occupation: Accountant

Qualifications, experience and expertise: CPA, B.Comm & Post Graduate Diploma in Computing; Treasurer of Bostocks Creek & District Landcare Group; Australian Tax Office "Tax Help" volunteer (Terang & Mortlake Health Service).

Special responsibilities: Finance & Audit Committee

Interest in shares: 2000

Margaret Emily McDonald

Secretary

Occupation: Retired

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

Special responsibilities: Community Investment Committee, Shareholder Services

Interest in shares: 1001

Gregory Leigh Suter

Director

Occupation: Business Manager/Cabinet Maker

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

Special responsibilities: Finance & Audit Committee and Property Maintenance Committee

Interest in shares: 5001

Directors' report (continued)

Directors (continued)

Stuart James Dawson

Director

Occupation: Carpenter

Qualifications, experience and expertise: Current Captain of the Cobden Golf Club, a position held for the past 11 years.

Special responsibilities: Community Investment Committee

Interest in shares: 6001

Milton John Parlour

Director

Occupation: Real Estate Agent

Qualifications, experience and expertise: Current Progressing Cobden Committee of Management, past Corangamite Shire Councillor, Corangamite Citizen of the Year 2013 and previously Vice President of the Cobden Recreation Reserve.

Special responsibilities: Finance & Audit Committee, Business Development Committee

Interest in shares: 2001

Christopher Raymond Bodey

Director

Occupation: Farmer

Qualifications, experience and expertise: Current member of the Cobden Airport Committee of Management, past Cobden Technical School Councillor, CFA Captain and UDV Branch President.

Special responsibilities: Business Development Committee, Shareholder Services

Interest in shares: 1000

Rodney Peter Giblett

Director

Occupation: Retired

Qualifications, experience and expertise: Has 30 years experience in the banking industry, Member of the Probus Club of Cobden.

Special responsibilities: Business Development Committee

Interest in shares: NIL

Robert Raymond Fleming

Director (Appointed 6 November 2013)

Occupation: Retired

Qualifications, experience and expertise: President of Advance Camperdown, Life Member of the Camperdown Apex Club, current committee member with Camperdown Lions Club, Camperdown Playspace Committee, Camperdown Court House Committee of Management and Co-ordinator of the Royal Childrens Hospital Appeal Camperdown.

Special responsibilities: Community Investment Committee

Interest in shares: NIL

Norman William Duncanson

Director (Appointed 15 July 2014)

Occupation: Retired

Qualifications, experience and expertise: Diploma Food Technology; Fellow of the Institute of Dairy Factory Managers; Member of the Lions Club International for 40 years - offices held include District Governor, Cabinet Officer, National Leadership & Training Committee member, current Treasurer of the National Lions Eye Health Program. Trustee of the Lions District Charitable Fund.

Special responsibilities: N/A

Interest in shares: NIL

Directors' report (continued)

Directors (continued)

Donald Francis Howard

Director (Resigned 12 September 2013)

Occupation: Farmer

Qualifications, experience and expertise: Past Director of Murray Goulburn Co-operative Limited for 16 years.

Special responsibilities: Business Development Committee

Interest in shares: 3001

Edwin Duncan Morris

Director (Resigned 4 November 2013)

Occupation: Certified Practising Accountant & Financial Planner

Qualifications, experience and expertise: Current Director of Murray Goulburn Co-operative Pty Ltd, MAICD; past President of the Australian Piper Society Inc. and Cobden & District Health Services.

Special responsibilities: Finance & Audit Committee

Interest in shares: 5000

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 had 30 years experience as a Legal Conveyancing Clerk.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**[®] services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating results

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

Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
59,691	17,912

Remuneration report

Directors' remuneration

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.

Directors' report (continued)

Remuneration report (continued)

Transactions with directors

	\$
Director & Chairman James Green is the director of GreenCon Australia Pty Ltd civil construction company. During the 2014 financial year Cobden & Districts Community Finance Limited engaged GreenCon Australia Pty Ltd to complete works on Camperdown branch signage. The total amount payable to GreenCon Australia Pty Ltd relating to these services was \$5,302 (2013 \$2,820). The purchase was made on normal commercial terms.	5,302
Former director Duncan Morris is the owner of Duncan Morris & Associates accounting practice. During the 2014 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 (2013: \$6,600).	6,600

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
James Alfred Green #	3,001	-	3,001
Gregory Leigh Suter	5,001	-	5,001
Margaret Emily McDonald	1,001	-	1,001
Stuart James Dawson	6,001	-	6,001
Christopher Raymond Bodey	1,000	-	1,000
Rodney Peter Giblett	-	-	-
Milton John Parlour	2,001	-	2,001
Anita Caroline Elizabeth Chivell	2,000	-	2,000
Gary Kenneth Kimber	1,000	-	1,000
Norman William Duncanson (Appointed 15 July 2014)	-	-	-
Donald Francis Howard (Resigned 12 September 2013)	3,001	-	3,001
Robert Raymond Fleming (Appointed 6 November 2013)	-	-	-
Edwin Duncan Morris (Resigned 4 November 2013)	5,000	-	5,000

Dividends

No dividends were declared or paid for the previous year and as at the time of this report the Board are reviewing the financial position of the Company and making a decision on whether a payment of a dividend will be made in 2014/2015.

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.

Directors' report (continued)

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Finance		Business Development		Community Investment	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
James Alfred Green #	12	11	12	4	-	-	-	-
Gregory Leigh Suter	12	8	12	7	-	-	-	-
Margaret Emily McDonald	12	10	-	-	-	-	10	9
Stuart James Dawson	12	2	-	-	-	-	10	5
Christopher Raymond Bodey	12	10	-	-	12	10	-	-
Rodney Peter Giblett	12	8	-	-	12	10	-	-
Milton John Parlour	12	9	9	6	12	10	-	-
Anita Caroline Elizabeth Chivell	12	10	12	12	-	-	10	1
Gary Kenneth Kimber	12	8	-	-	12	1	10	6
Norman William Duncanson (Appointed 15 July 2014)	-	-	-	-	-	-	-	-
Donald Francis Howard (Resigned 12 September 2013)	3	3	-	-	2	2	-	-
Robert Raymond Fleming (Appointed 6 November 2013)	8	7	-	-	-	-	7	2
Edwin Duncan Morris (Resigned 4 November 2013)	4	4	4	2	-	-	-	-

Directors' report (continued)

Directors' meetings (continued)

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Signed in accordance with a resolution of the board of directors at Cobden, Victoria on 11 September 2014.



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

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

A handwritten signature in black ink, appearing to read 'Graeme Stewart', is written over a faint, large, light-colored oval shape.

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

Dated: 11 September 2014

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

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue from ordinary activities	4	755,586	659,323
Employee benefits expense		(356,344)	(352,466)
Charitable donations, sponsorship, advertising and promotion		(78,445)	(31,348)
Occupancy and associated costs		(29,367)	(38,868)
Systems costs		(33,116)	(35,288)
Depreciation and amortisation expense	5	(35,275)	(37,011)
Finance costs	5	(42,949)	(51,761)
General administration expenses		(91,388)	(86,993)
Profit before income tax expense		88,702	25,588
Income tax expense	6	(29,011)	(7,676)
Profit after income tax expense		59,691	17,912
Total comprehensive income for the year		59,691	17,912
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	21	8.23	2.47

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	4,275	-
Trade and other receivables	8	74,994	77,632
Total Current Assets		79,269	77,632
Non-Current Assets			
Property, plant and equipment	9	412,586	429,977
Intangible assets	10	38,770	56,654
Deferred tax assets	11	262,574	291,585
Total Non-Current Assets		713,930	778,216
Total Assets		793,199	855,848
LIABILITIES			
Current Liabilities			
Trade and other payables	12	72,128	56,774
Borrowings	13	15,675	122,078
Provisions	14	21,548	22,100
Total Current Liabilities		109,351	200,952
Non-Current Liabilities			
Trade and other payables		-	24,159
Borrowings	13	559,987	569,687
Provisions	14	17,809	14,689
Total Non-Current Liabilities		577,796	608,535
Total Liabilities		687,147	809,487
Net Assets		106,052	46,361
Equity			
Issued capital	15	698,455	698,455
Accumulated losses	16	(592,403)	(652,094)
Total Equity		106,052	46,361

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2014

	Issued capital \$	Accumulated losses \$	Total equity \$
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
Balance at 1 July 2013	698,455	(652,094)	46,361
Total comprehensive income for the year	-	59,691	59,691
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	698,455	(592,403)	106,052

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		728,603	593,231
Payments to suppliers and employees		(543,318)	(643,194)
Interest received		5	-
Interest paid		(42,949)	(51,761)
Net cash provided by/(used in) operating activities	17	142,341	(101,724)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,367)
Payment of intangible assets		(21,963)	-
Net cash used in investing activities		(21,963)	(1,367)
Cash flows from financing activities			
Repayment of borrowings		(9,700)	(9,000)
Net cash used in financing activities		(9,700)	(9,000)
Net increase/(decrease) in cash held		110,678	(112,091)
Cash and cash equivalents at the beginning of the financial year		(106,403)	5,688
Cash and cash equivalents at the end of the financial year	7(a)	4,275	(106,403)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

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

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Cobden & Camperdown.

The branches operate 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**[®] branches 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**[®] branches 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:

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 (continued)

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

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

b) Revenue

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

Revenue calculation

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

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:

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the statement of comprehensive income.

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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.

	2014 \$	2013 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	755,581	659,323
Total revenue from operating activities	755,581	659,323
Non-operating activities:		
- interest received	5	-
Total revenue from non-operating activities	5	-
Total revenues from ordinary activities	755,586	659,323

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	2,198	2,560
- leasehold improvements	15,193	16,567

Amortisation of non-current assets:

- franchise agreement	6,314	6,314
- franchise renewal fee	11,570	11,570
	35,275	37,011

Finance costs:

- interest paid	42,949	51,761
Bad debts	105	57

Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
Note 6. Income tax credit			
The components of tax credit comprise:			
- Current tax		-	-
- Future income tax benefit attributable to losses		-	-
- Movement in deferred tax		(1,229)	(3,594)
- Recoupment of prior year tax losses		29,040	11,270
- Under/(Over) provision of tax in the prior period		1,200	-
		29,011	7,676
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		88,702	25,588
Prima facie tax on profit from ordinary activities at 30%		26,611	7,676
Add tax effect of:			
- non-deductible expenses		1,200	-
- timing difference expenses		1,229	3,594
- other deductible expenses		-	-
		29,040	11,270
Movement in deferred tax	11	(1,229)	(3,594)
Under/(Over) provision of income tax in the prior year		1,200	-
		29,011	7,676

Note 7. Cash and cash equivalents

Cash at bank and on hand		4,275	-
		4,275	-

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand		4,275	-
Bank overdraft	13	-	(106,403)
		4,275	(106,403)

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 8. Trade and other receivables		
Trade receivables	57,663	58,786
Other receivables and accruals	51	278
Prepayments	17,280	18,568
	74,994	77,632

Note 9. Property, plant and equipment

Plant and equipment

At cost	52,888	52,888
Less accumulated depreciation	(19,029)	(16,831)
	33,859	36,057

Leasehold improvements

At cost	454,724	454,724
Less accumulated depreciation	(75,997)	(60,804)
	378,727	393,920

Total written down amount	412,586	429,977
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	36,055	37,249
Additions	-	1,366
Less: depreciation expense	(2,198)	(2,560)
Carrying amount at end	33,857	36,055

Leasehold improvements

Carrying amount at beginning	393,922	410,488
Additions	-	-
Less: depreciation expense	(15,193)	(16,566)
Carrying amount at end	378,729	393,922

Total written down amount	412,586	429,977
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Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 10. Intangible assets		
Franchise fee		
At cost	41,570	41,570
Less: accumulated amortisation	(25,942)	(19,628)
	15,628	21,942
Renewal processing fee		
At cost	57,853	57,853
Less: accumulated amortisation	(34,711)	(23,141)
	23,142	34,712
Total written down amount	38,770	56,654

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	46	-
- employee provisions	11,807	11,037
- tax losses carried forward	255,906	286,146
	267,759	297,183
Deferred tax liability		
- accruals	1	28
- deductible prepayments	5,184	5,570
	5,185	5,598
Net deferred tax asset	262,574	291,585
Movement in deferred tax charged to statement of comprehensive income	29,011	7,676

Note 12. Trade and other payables

Current:

Trade creditors	72,128	56,774
	72,128	56,774

Non-Current:

Trade Creditors	-	24,159
	72,128	80,933

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 13. Borrowings		
Current:		
Bank overdrafts	-	106,403
Vendor Finance - R S Gunner	15,675	15,675
	15,675	122,078
Non-Current:		
Vendor Finance - R S Gunner	59,987	69,687
Bank loans	500,000	500,000
	559,987	569,687

The bank overdraft has an approved limit of \$100,000 and attracts an interest rate of 4.705% per agreement with Bendigo and Adelaide Bank Limited. The overdraft is secured by a fixed floating charge over the Company's assets.

The bank loan matures on 8 March 2017 and was interest only for the first two years up until March 2014. Interest is now recognised at an average rate of 4.7% (2013: 7.39%). The loan is secured by a fixed charge over the property at 151 Manifold Street, Camperdown.

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.

	2014 \$	2013 \$
Note 14. Provisions		
Current:		
Provision for annual leave	21,548	22,100
Non-Current:		
Provision for long service leave	17,809	14,689

Note 15. Contributed equity

725,012 ordinary shares fully paid (2013: 725,012)	725,012	725,012
Less: equity raising expenses	(26,557)	(26,557)
	698,455	698,455

Notes to the financial statements (continued)

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**[®] branches have the same ability to influence the operation of the company.

(b) Dividends

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

(c) Transfer

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

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 302. As at the date of this report, the company had 329 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.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

	2014 \$	2013 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(652,094)	(670,006)
Net profit from ordinary activities after income tax	59,691	17,912
Balance at the end of the financial year	(592,403)	(652,094)

Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	59,691	17,912
Non cash items:		
- depreciation	17,391	19,127
- amortisation	17,884	17,884
Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,638	(9,675)
- decrease in other assets	29,011	7,676
- decrease in payables	13,158	(163,083)
- increase in provisions	2,568	8,435
Net cash flows provided by/(used in) operating activities	142,341	(101,724)

Notes to the financial statements (continued)

	2014 \$	2013 \$
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	15,280	14,496
- between 12 months and 5 years	30,561	43,489
- greater than 5 years	-	-
	45,841	57,985

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

Note 19. Auditor's remuneration

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

- audit and review services	4,950	4,700
- share registry services	200	432
- non audit services	-	-
	5,150	5,132

Note 20. Director and related party disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 21. Earnings per share

		2014 \$	2013 \$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	59,691	17,912
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	725,012	725,012

Notes to the financial statements (continued)

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 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 Cobden VIC 3266	37 Curdie Street Cobden VIC 3266

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 %	2013 %
Financial assets												
Cash and cash equivalents	4,275	-	-	-	-	-	-	-	-	-	0.15	0.00
Receivables	-	-	-	-	-	-	-	-	57,664	58,786	N/A	N/A
Financial liabilities												
Interest bearing liabilities	500,000	606,403	15,675	15,675	59,987	69,687	-	-	-	-	6.98	7.39
Payables	-	-	-	-	-	-	-	-	48,701	56,878	N/A	N/A

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2014 \$	2013 \$
Change in profit/(loss)		
Increase in interest rate by 1%	(4,957)	(6,064)
Decrease in interest rate by 1%	(4,957)	(6,064)
Change in equity		
Increase in interest rate by 1%	(4,957)	(6,064)
Decrease in interest rate by 1%	(4,957)	(6,064)

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 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



James Alfred Green,
Chairman

Signed on the 11th of September 2014.

Independent audit report



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

Report on the financial report

I have audited the accompanying financial report of Cobden & Districts Community Finance Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independent audit report (continued)

Independence

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

Auditor's opinion on the financial report

In my opinion:

1. The financial report of 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 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Cobden & Districts Community Finance Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 11 September 2014

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37 Curdie Street, Cobden VIC 3266
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