Contents

Chairman's report

For year ending 30 June 2011

Good evening and welcome shareholders and guests to our AGM. My name is Wayne Matthews, I was until recently the acting Chairman of the Company. Our Chairman Peter Spinks has recently resigned from our Board for personal reasons; his input will be much missed. I have agreed to take over the role as Chairman. You will notice that the financials have been signed off by Peter as this had been done prior to Peter's resignation.

My address tonight will be a two part presentation regarding the Board's role. The first part will cover the last 12 months and the second part will cover our goals for the coming year. Our Branch Manager Kim will cover the day-to-day running of the branch and Market Development Fund (MDF) distribution.

We are fast approaching our 3rd birthday and over this period we have invested more than $60,000 into our local community from our MDF. These are funds provided by Bendigo and Adelaide Bank Ltd to promote the growth of **Community Bank®** branches. It is calculated by the level of business we hold at the branch, for example deposits and loans. For every $1 million we get $1,000 per year up to a maximum of $50,000. This is paid monthly via our branch profit share. Because our banking business now exceeds $50 million this year we will get the full $50,000.

What we have achieved

We went into profit early this year for the first time although it was only by a small amount. Since then we have been affected by months which have had three pay periods and a change by Bendigo and Adelaide Bank Ltd in regards to distribution of income. Due to the narrowing of margins, the profit share was reduced which cost us about $1,600 per month in income.

We had representatives at both the **Community Bank®** State and National conferences this year. Directors also attended a number of community functions and presentations and many are also involved in **Community Bank®** committees, which meet outside of Board meetings. At a recent Sponsorship and Marketing meeting, there were two Directors as well as all the branch staff. The staff are not paid to attend, which shows how much they believe in what they are doing. It is also worth noting that the Directors are all unpaid volunteers.

Our goals for the coming year

We will be conducting or working with other organisations such as BVSC and Rotary, to run a Community Forum with the idea being to pool our ideas and resources. The main outcome will be to identify a major project which will be of benefit to our local community. If you have any ideas or would like to be involved, get in touch with one of the Board members.

We as a Board and community believe we need to engage with our youth and young adults. To this end we are looking at a new program being promoted by Bendigo and Adelaide Bank Ltd. The aim is to encourage young adults to become Directors in their local **Community Bank®** Boards. This will mean that they have a say in the direction the Board will take as we progress. We will also be looking at offering education scholarships, the idea is to help pay for fees, for example, for those who wish to further their education but cannot do so due to financial reasons. As I have mentioned previously, our priority is to pay a dividend to our shareholders before we consider expansion to other sites. As is our practice, some of our Board members will be retiring from the Board and some will be renominated to stand. Others will retire and to those choosing to do so, on behalf of your community thank you for your support and good luck in the future.

Chairman's report continued

In closing there are a number of people I would like to thank: firstly my fellow Board members for their efforts during the year; our Minute Secretary Kerry who stepped in at a moments notice and took on this important function; and our Bendigo and Adelaide Bank Ltd Regional Manager Dion, who travels from Canberra to attend most of our monthly meetings. We do not always see eye to eye but it has been a good working relationship. To the shareholders of this Company who have assisted us with returning banking services back to our community. To the staff of our **Community Bank®** branch, it is obvious from the awards taken out by them that they know what the word 'customer service' means. To the spouses who support us all, without your contribution it would not work. Last but not least, thank you to our Branch Manager Kim. For a **Community Bank®** branch to be successful there are two key ingredients, a well functioning Board and a good Branch Manager. Based on our performance we have both these.

Wayne Matthews
Chairman

Manager's report

For year ending 30 June 2011

As we head towards our 3rd Birthday we have much to celebrate. Firstly, the business is now in a profitable position which will reflect in the financial statements as at 30 June 2012. The Company of Pambula & District Community Development Ltd still has cash reserves to the tune of around $55,000. Sponsorship allocations we have returned back to the local community via the Marketing and Development Funding as outlined by the Chairman, exceed $60,000 with a further $20,000 pledged in our latest round of applications. How amazing is it that in less than three years of trading we have invested approximately $80,000 back into community causes? More amazingly is the fact that **Community Bank®** branches around the country have invested over $60 million back to community causes since the first **Community Bank®** branch opened in 1998. This figure continues to grow rapidly as more and more **Community Bank®** branches establish themselves. There are now more than 285 **Community Bank®** branches operating nationally and this figure also continues to rise steadily.

The total business we now hold at our **Community Bank®** branch amounts to approximately $54 million which represents $26 million in lending and $28 million in deposits. Our customers, clients and shareholders have supported our business and by doing so have a direct impact on the great things we are achieving. The more business we attract ensures a more healthy profit, which in turn benefits the community through our sponsorship allocations and community grants as we go forward. A big thank you is extended to everyone who is supporting us, without your custom we would not have a business.

I am extremely proud to be managing a team of professional, dedicated, enthusiastic and hard working staff. Together we work as a team to deliver an excellent banking service where we are able to focus on customer service and ensure our customers get the high quality service they deserve. The awards received over the past year indicate what we are doing is successful. Our Customer Service Officer, Belinda Grundy, received the Rotary Community Vocational Award for excellence in customer service. The team also received the small business award in the category of Banking, Professional and Real Estate. Out of 10 nominations we won the award and there certainly was some formidable opposition vying for the award on the night. It is interesting to note that we were the only representative in this category from Pambula and we walked away with the award. Congratulations to the team on a job well done.

We all involve ourselves in community activity and lend a helping hand when required. The **Community Bank®** concept attracted us initially to work for an organisation which indeed gives back to the community in various ways. It is very satisfying to see what a difference we can make in the community through our daily occupation and we all enjoy the job satisfaction this generates. I am honoured to relay this message to you on behalf of the staff as a team. Teamwork makes the dream work in more ways than one.

The Board of Directors are also instrumental in our achievements to date. They all selflessly dedicate their time, business expertise and support to make this company successful. The Directors are not involved in any of the daily banking activities and are not privy to know who are our customer base. What they do behind the scenes ensures the smooth operation of the Company and govern legislation and compliance. The staff and I enjoy an open and honest relationship with all members of the Board, both past and present, and we work together to achieve the evident outcomes. A big thank you is extended to all members of the Board for their continued support in every way.

None of what I have mentioned would be possible without the guidance and support of Bendigo and Adelaide Bank Ltd and it's staff. They truly make banking enjoyable for all involved and have allowed us the opportunity to

Manager’s report continued

return banking services back to Pambula and to the local community. Thank you to Dion Christie, our departing Regional Manager, and to all the staff at the Canberra office for their continued support to myself, the staff and the Board of Directors throughout the year.

In closing, may I wish each and every one of you a Happy Christmas and prosperous New Year and I look forward to returning next year with even greater news!

Kim Stevenson
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

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 organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

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

Directors

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

Peter Julian Spinks
Chairman
Age: 42
Occupation: Self Employed
Experience & Expertise: Owner/operator local printing shop, past Rotarian, past Sapphire Rock Festival committee member, inaugural **Community Bank®** committee member, current Chairman

Colin Dunn
Treasurer
Age: 66
Occupation: Retired
Experience & Expertise: CPA, Economics Degree, Business Academic and Rotary President 2010/2011

Wayne Robert Matthews
Director
Age: 61
Occupation: Semi retired business owner
Experience & Expertise: Director of a number of companies, business developer

Robin Barry Savage
Director
Age: 67
Occupation: Retired
Experience & Expertise: Advanced Diploma (Horticultural) - Sydney University

Lyndon Lewis
Director (Appointed 23 August 2010)
Age: 61
Occupation: Semi retired business owner & Sales executive
Experience & Expertise: Sales/ Business management, director LKL holding pty ltd, founder & operator of :Sapphire Coast Rock & Roll Festival, musical director, member of Rotary

Alicia McDowell
Director (Appointed 27 September 2010)
Age: 38
Occupation: Home Duties
Experience & Expertise: BA - Psychology, Dip Community Services, Pambula Playground committee, PAPPA, Dept of Senate website manager and case officer - Family community services

Russell Fitzpatrick
Director (Appointed 27 September 2010)
Age: 43
Occupation: Manager
Experience & Expertise: Ex bank industry executive, own business owner, current Bega Valley counselor, Chairman group 16 Rugby League, life member minor rugby league, Current NSW Hospital

Warren Richter
Director (Appointed 25 September 2010, Resigned 15 March 2011)
Age: 43
Occupation: Semi retired
Experience & Expertise: Ex public service excutive, ex CEO of a software company

Directors (continued)

Graham Roberts
Director (Resigned 30 November 2010)

Darryl Watts
Director (Resigned 30 November 2010)

John Frederick Charles Hanley
Director (Resigned 21 October 2010)

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

Company Secretary

Darryl Watts was appointed the Company Secretary at incorporation on 6 December 2007. Darryl has many years of management experience across the total management range including experience working within some major companies. He has also held past membership of IGA state and national boards and a former Fellow of the Australian Institute of Management. Darryl resigned as a director on 30 November 2010 however he is still carrying on the duties of the Company Secretary.

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
	(71,182)	(160,447)

Remuneration Report

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.

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.

Directors' report continued

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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

	Board Meetings Attended		**Sponsorship Committee**	
	Eligible	Attended	Eligible	Attended
Peter Julian Spinks	12	11	4	4
Colin Dunn	12	10	4	4
Wayne Robert Matthews	12	10	-	-
Robin Barry Savage	12	11	-	-
Lyndon Lewis	12	12	-	-
Alicia McDowell	12	9	-	-
Russell Fitzpatrick	12	9	-	-
Warren Richter	8	4	-	-
Graham Roberts	6	6	-	-
Darryl Watts	12	11	-	-
John Frederick Charles Hanley	3	2	-	-

Directors' report continued

Directors Meetings (continued)

The Board has 3 sub-committees, Governance/Finance, Property & Maintenance and Marketing & Sponsorship. All sub-committees have elected Directors who meet on a regular, or as needs, basis and present reports/ recommendations to the monthly Board meetings where required.

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 Pambula, New South Wales on
26 August 2011.

Wayne Robert Matthews, Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Pambula & District Community Development Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

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

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

26th August 2011

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	4	445,790	261,292
Employee benefits expense		(287,100)	(257,363)
Charitable donations, sponsorship, advertising and promotion		(40,715)	(18,147)
Occupancy and associated costs		(47,333)	(49,751)
Systems costs		(42,698)	(44,722)
Depreciation and amortisation expense	5	(40,152)	(40,662)
General administration expenses		(83,077)	(74,184)
loss before income tax credit		**(95,285)**	**(223,537)**
Income tax credit	6	24,103	63,090
loss after income tax credit		**(71,182)**	**(160,447)**
Total comprehensive income for the year		**(71,182)**	**(160,447)**

Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	21	(9.29)	(20.93)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	55,299	106,461
Trade and other receivables	8	35,405	23,840
Total Current Assets		**90,704**	**130,301**
Non-Current Assets			
Property, plant and equipment	9	141,617	157,489
Intangible assets	10	53,167	75,166
Deferred tax assets	11	163,298	139,195
Total Non-Current Assets		**358,082**	**371,850**
Total Assets		**448,786**	**502,151**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	19,893	13,802
Provisions	13	20,604	11,070
Total Current Liabilities		**40,497**	**24,872**
Non-Current Liabilities			
Provisions	13	6,123	3,931
Total Non-Current Liabilities		**6,123**	**3,931**
Total Liabilities		**46,620**	**28,803**
Net Assets		**402,166**	**473,348**
Equity			
Issued capital	14	811,715	811,715
Accumulated losses	15	(409,549)	(338,367)
Total Equity		**402,166**	**473,348**

The accompanying notes form part of these financial statements.

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

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2009	**811,715**	**(177,920)**	**633,795**
Total comprehensive income for the year	**-**	**(160,447)**	**(160,447)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2010	**811,715**	**(338,367)**	**473,348**
Balance at 1 July 2010	**811,715**	**(338,367)**	**473,348**
Total comprehensive income for the year	**-**	**(71,182)**	**(71,182)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	**811,715**	**(409,549)**	**402,166**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows From Operating Activities			
Receipts from customers		469,846	258,241
Payments to suppliers and employees		(524,088)	(455,336)
Interest received		5,361	8,144
Income taxes paid		-	4,788
Net cash used in operating activities	**16**	**(48,881)**	**(184,163)**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,281)	5,352
Payments for intangible assets		-	(11,494)
Net cash used in investing activities		**(2,281)**	**(6,142)**
Net decrease in cash held		**(51,162)**	**(190,305)**
Cash and cash equivalents at the beginning of the financial year		106,461	296,766
Cash and cash equivalents at the end of the financial year	**7(a)**	**55,299**	**106,461**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

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

Critical accounting estimates

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

Financial statement presentation

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

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

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

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

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

- Disclosure impact

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

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

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

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

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

New Accounting Standards for application in future periods

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Pambula, New South Wales.

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).

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation

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

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

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

c) Income Tax

Current tax

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

Deferred tax

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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

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

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(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.

Note 2. Financial Risk Management (continued)

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

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.

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.

	2011 $	**2010 $**

Note 4. Revenue from Ordinary Activities

Operating activities:		
- services commissions	442,799	252,648
- other revenue	-	500
Total revenue from operating activities	**442,799**	**253,148**
Non-operating activities:		
- interest received	2,991	8,144
Total revenue from non-operating activities	**2,991**	**8,144**
Total revenues from ordinary activities	**445,790**	**261,292**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	6,598	7,168
- leasehold improvements	11,554	11,494
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- establishment fee	20,000	20,000
	40,152	**40,662**
Bad debts	**360**	**920**

	Note	2011 $	2010 $

Note 6. Income Tax Credit

	Note	2011 $	2010 $
The components of tax expense comprise:			
- Future income tax benefit attributed to losses		(18,885)	(62,264)
- Movement in deferred tax		(5,218)	(826)
		(24,103)	**(63,090)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(95,285)	(223,537)
Prima facie tax on loss from ordinary activities at 30%		(28,585)	(67,061)
Add tax effect of:			
- non-deductible expenses		6,600	6,620
- timing difference expenses		5,218	826
- other deductible expenses		(2,118)	(2,649)
		(18,885)	**(62,264)**
Movement in deferred tax	11	(5,218)	(826)
		(24,103)	**(63,090)**

Note 7. Cash and Cash Equivalents

	Note	2011 $	2010 $
Cash at bank and on hand		23,893	19,105
Term deposits		31,406	87,356
		55,299	**106,461**
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		23,893	19,105
Term deposits		31,406	87,356
		55,299	**106,461**

	2011 $	2010 $

Note 8. Trade and Other Receivables

Trade receivables	35,405	18,173
Other receivables and accruals	-	2,370
Prepayments	-	3,297
	35,405	**23,840**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	55,115	52,835
Less accumulated depreciation	(24,339)	(17,741)
	30,776	**35,094**
Leasehold improvements		
At cost	140,501	140,501
Less accumulated depreciation	(29,660)	(18,106)
	110,841	**122,395**
Total written down amount	**141,617**	**157,489**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	35,094	39,659
Additions	2,280	2,603
Less: depreciation expense	(6,598)	(7,168)
Carrying amount at end	**30,776**	**35,094**
Leasehold improvements		
Carrying amount at beginning	122,395	130,350
Additions	-	3,539
Less: depreciation expense	(11,554)	(11,494)
Carrying amount at end	**110,841**	**122,395**
Total written down amount	**141,617**	**157,489**

	2011 $	2010 $
Note 10. Intangible Assets		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(5,167)	(3,168)
	4,833	**6,832**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(51,666)	(31,666)
	48,334	**68,334**
Total written down amount	**53,167**	**75,166**

Note 11. Tax

	2011 $	2010 $
Non-Current:		
Deferred tax assets		
- employee provisions	8,018	4,500
- tax losses carried forward	155,280	136,395
	163,298	**140,895**
Deferred tax liability		
- accruals	-	711
- deductible prepayments	-	989
	-	**1,700**
Net deferred tax asset	**163,298**	**139,195**
Movement in deferred tax charged to statement of comprehensive income	**(5,218)**	**(826)**

Note 12. Trade and Other Payables

	2011 $	2010 $
Trade creditors	5,394	5,764
Other creditors and accruals	14,499	8,038
	19,893	**13,802**

	2011 $	2010 $

Note 13. Provisions

Current:		
Provision for annual leave	**20,604**	**11,070**
Non-Current:		
Provision for long service leave	**6,123**	**3,931**
Number of employees at year end	**5**	**4**

Note 14. Contributed Equity

847,009 Ordinary shares fully paid (2010: 847,009)	847,009	847,009
Less: equity raising expenses	(35,294)	(35,294)
	811,715	**811,715**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

Note 14. Contributed Equity (continued)

Rights attached to shares

(c) Transfer

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 231. As at the date of this report, the company had 257 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.

	2011 $	2010 $

Note 15. Accumulated Losses

	2011 $	2010 $
Balance at the beginning of the financial year	(338,367)	(177,920)
Net loss from ordinary activities after income tax	(71,182)	(160,447)
Balance at the end of the financial year	**(409,549)**	**(338,367)**

Note 16. Statement of Cashflows

	2011 $	2010 $
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(71,182)	(160,447)
Non cash items:		
- depreciation	18,152	18,662
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- increase in receivables	(11,565)	(15,943)
- increase in other assets	(24,103)	(58,302)
- increase in payables	6,091	4,709
- increase in provisions	11,726	5,158
Net cash flows used in operating activities	**(48,881)**	**(184,163)**

Note 17. Leases

Operating lease commitments

	2011 $	2010 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	30,000	30,000
- between 12 months and 5 years	40,000	70,000
- greater than 5 years	-	-
	70,000	**100,000**

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease is due for renewal on 30 November 2013 and has two 5 year extension options available.

Notes to the financial statements continued

	2011 $	2010 $

Note 18. Auditors' Remuneration

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

- audit and review services	3,400	3,400
- share registry services	2,175	2,915
- non audit services	2,050	3,073
	7,625	**9,388**

Note 19. Director and Related Party Disclosures

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

Peter Julian Spinks

Colin Dunn

Wayne Robert Matthews

Robin Barry Savage

Lyndon Lewis (Appointed 23 August 2010)

Alicia McDowell (Appointed 27 September 2010)

Russell Fitzpatrick (Appointed 27 September 2010)

Warren Richter (Appointed 25 September 2010, Resigned 15 March 2011)

Graham Roberts (Resigned 30 November 2010)

Darryl Watts (Resigned 30 November 2010)

John Frederick Charles Hanley (Resigned 27 September 2010)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Peter Julian Spinks, in the capacity of printer, supplied printing of the promotional material and annual report to the value of	**3,364**	**3,915**

Note 19. Director and Related Party Disclosures (continued)

Directors Shareholdings	**2011**	**2010**
Peter Julian Spinks	501	501
Colin Dunn	-	-
Wayne Robert Matthews	56,001	56,001
Robin Barry Savage	2,001	2,001
Lyndon Lewis (Appointed 23 August 2010)	5,000	5,000
Alicia McDowell (Appointed 27 September 2010)	-	-
Russell Fitzpatrick (Appointed 27 September 2010)	-	-
Warren Richter (Appointed 25 September 2010, Resigned 15 March 2011)	-	-
Graham Roberts (Resigned 30 November 2010)	2,001	2,001
Darryl Watts (Resigned 30 November 2010)	4,501	4,501
John Frederick Charles Hanley (Resigned 27 September 2010)	501	501

Note 20. Key Management Personnel 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

	2011 $	**2010 $**
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(71,182)	(160,447)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	766,474	766,474

Notes to the financial statements continued

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 Pambula and surrounding districts of New South Wales, pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
55A Toalla Street	55A Toalla Street
Pambula NSW 2549	Pambula NSW 2549

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.

Note 26. Financial Instruments (continued)

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	19,993	13,154	31,406	87,356	-	-	-	-	3,901	5,950	4.23	4.37
Receivables	-	-	-	-	-	-	-	-	-	23,840	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	19,893	13,803	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Pambula & District Community Development Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Wayne Robert Matthews, Chairman

Signed on the 26th of August 2011.

Independent audit report

Partners in success

Chartered Accountants

Independent Auditor's Report To The Members Of Pambula & District Community Development Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

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

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

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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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Pambula & District Community Development Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Pambula & District Community Development Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

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

26th August 2011