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Chairman's report

For year ending 30 June 2006

Welcome to this our very first Annual Report for the Cobden & Districts Community Finance Limited. This is an exciting time in our development and growth, although this report is the first report showing our initial capital and a few days trading it has allowed us, as a Board, to set up and establish our reporting and corporate governance obligations as a public listed Company on the Bendigo Stock Exchange.

I must say congratulations to the Shareholders of our Company in that we have now achieved our first goal of being fully subscribed at \$725,012. This capital will provide us with a strong base to meet our business plans as outlined in our prospectus.

I must at this stage make a special mention of the Directors and the support that they have shown over many months to ensure that our **Community Bank®** branch has been able to reach this stage. I will never forget the day of our opening and seeing the look of achievement on the faces of all our Directors. Well done and thank you.

A special thank you must also go to our dedicated staff, Peter Hall, our Branch Manager and our staff Deidre, Helen and Wendy. They have been instrumental in establishing our banking business so far.

Our Directors and staff have now moved from the mode of raising capital and establishing a branch to that of building the business into a profitable and viable business in Cobden.

To achieve our budgets we now need for all Shareholders to be part of our journey. When we completed our feasibility study into establishing a **Community Bank®** branch in Cobden, the support shown was very strong. This was again shown when we completely filled our share capital. What we now need is for you, our Shareholders, to open accounts, transfer your business and recommend the Cobden & Districts **Community Bank®** branch to family and friends alike.

Remember our **Community Bank®** branch is able to offer every financial service that you require, from savings accounts, cheque accounts, investment accounts, personal loans, farm loans, business loans, credit cards, investment advice etc etc.

As stated, this has been an exciting journey so far, but the journey has only just begun. Our Board is committed to making sure that we now establish a strong and viable business. We know that we have the support of our Shareholders. With everybody's support and commitment we will be in a position to achieve our main goal and that is supporting our community.



Trevor J Gardner
Chairman

Manager's report

For year ending 30 June 2006

I am pleased to report that the first three months of trading have been extremely encouraging.

One of the items that was earmarked as an essential improvement for the community was an automatic teller machine (ATM). This has been well utilised and usage has steadily increased each month.

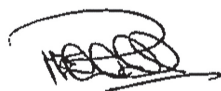
I wish to acknowledge and thank staff members Deirdre Harper, Helen Walker, Wendy Brooks and Elizabeth Smith for their commitment and support in these initial months. Unfortunately, Elizabeth has resigned for personal reasons, and we wish her every success in her future endeavours. The willingness of everyone to learn and be a part of the future success of this enterprise has been truly rewarding in itself and is a credit to all.

I would also like to take this opportunity to thank Gary Attrill and his staff at the Warrnambool branch and Robert Harris and staff at the Colac branch. Both were able to provide support and extra tuition while the finishing touches were being completed on our branch. The attitude at both branches is to be commended as nothing was too much trouble and all were made to feel welcome.

Further to this the support and guidance provided by Trevor Gardner and the Board of Directors, together with our State Support Centre in Geelong and the **Community Bank®** branch Support staff in Bendigo was, and indeed still is, exceptional. This is a steep learning curve for all concerned and I applaud the Board for their patience and also their willingness to take on unaccustomed roles to ensure the success of this enterprise.

So far, we have been able to provide some minor support for a few local clubs and schools with sponsorship or marketing material. This opportunity should also be utilised as a reminder to all groups and clubs wanting future sponsorship deals; we encourage you all to open accounts and conduct your business through the Cobden & Districts **Community Bank®** Branch, as this support from you ensures our future success. Also, your requests for assistance are more than likely to be rewarded with reciprocated support from us.

Finally, I thank all our Shareholders and customers for the belief you have all displayed in this new enterprise and encourage you all to recommend our quality personal service and commitment to the community. Your assistance and support will ensure the success of the Cobden & Districts **Community Bank®** Branch.



Peter Hall
Manager

Treasurer's report

For year ending 30 June 2006

With the opening of Cobden & Districts **Community Bank**® Branch on the last day of the financial year the financial results don't tell much of a story other than the set up cost of the Company and its assets. The story should be very different next year.

The net loss for the year was \$113,300. Our budget loss for the first year is \$193,000. We should see the Company grow in business from day one and see a much better result next year.

The local community really provided us with support by purchasing shares close to our maximum allocation by 30 June 2006. The maximum allocation of 725,000 shares is now reached and is now registered on the Bendigo Stock Exchange.

Being an engineer with no formal financial training, but with experience in accounts and MYOB at my own Company, I accepted the opportunity to become Treasurer. However without the following people my tasks could have been in some disarray.

I would like to thank our Accountants "Duncan Morris and Associates" and in particular Duncan Morris and Julie Finney for their time and commitment to the community Company. They have both freely given their time to the financial arm of the organisation and this along with their advice and hard work is very much appreciated. I also thank Leo Bruinier of AFS & Associates, our Auditors who also provided advice and information on our accounts.

I would like to register my thanks and gratitude to those with the foresight and effort to commence Cobden & Districts Community Finance Limited from inception right through till today. I encourage all to continue that support to your **Community Bank**® branch.



James Green B.Eng
Treasurer

Directors' report

For year ending 30 June 2006

Your Directors submit the financial report of the Company for the financial year ended 30 June 2006.

Directors

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

Trevor John Gardner

Chairman

Age: 53

Occupation: Business Manager

Trevor has a Graduate Diploma in Business and is the Business Manager of Coprice in Cobden. He is President of the Cobden Golf Club, Chairman of the Australian Technical Millers Association and a member of the Stockfeed Manufacturers Association of Victoria.

Gayle Patricia Kelson

Secretary

Age: 53

Occupation: Administration/Support Officer

Gayle is an administrator / supply support services Officer for South West Health Care. She has no previous experience as a Company Secretary but has had administrative & Board room participation while working at SWHC and in previous occupations.

Stuart James Dawson

Director

Age: 45

Occupation: Carpenter

Stuart is a qualified carpenter. Until recently he was the proprietor of the Cobden Newsagency and prior to that he was a sheep & grain farmer. Stuart is the Captain of the Cobden Golf Club.

James Alfred Green

Treasurer

Age: 45

Occupation: Director/Contractor

James is a civil engineer and the Managing Director of LH & TO Green Pty Ltd, a family owned construction Company. He is the President of the Cobden Football Club & the Cobden Safety House Committee. He is also a representative of the Cobden Airstrip Committee.

Trevor John Clarke

Director

Age: 35

Occupation: Owner/Operator

Trevor is a qualified motor mechanic with over 15 years experience. He is the owner operator of Curdie Car Care in Cobden.

Trevor has had no previous experience as a Company Director.

Neil Shaw Fisher

Director

Age: 81

Occupation: Retired

Neil was a dairy farmer up until his retirement. Prior to that he was the Managing Director of a concrete Company in Wodonga, which saw him responsible for up to 30 employees.

Directors' report continued

Michael David Hinkley

Director

Age: 49

Occupation: Farmer/Contractor

Michael has been a domestic building contractor for over 25 years, as well as a beef and dairy farmer. He has held positions of President, Vice President and Secretary of the Cobden Football & Cricket Clubs at both senior & junior level.

Donald Francis Howard

Director

Age: 50

Occupation: Farmer/Director

Don is, and has been a dairy farmer for over 20 years. He is currently a Director of Murray Goulburn Co-Operative and a member of Fellow Australians Institute of Company Directors.

Margaret Emily McDonald

Director

Age: 56

Occupation: Administration Officer

Margaret is employed by Sewells Larkins McCarthy Solicitors of Cobden, and has over 25 years experience working for legal firms. She has no previous experience as a Company Director but was a member of the Board of Cobden & District Health Services.

Milton John Parlour

Director

Age: 56

Occupation: Real Estate Agent

Milton is part owner of Falk & Co. estate agents in Cobden. He has no previous experience as a Company Director but is the President of Progressing Cobden Committee and was a Councillor with the Corangamite Shire.

Andrew Keith Suter

Director

Age: 63

Occupation: Retired

Andrew is a retired dairy farmer and trained cabinet maker. He has no previous experience as a Company Director but has been on the Committee of the Cobden Scouts for 10 years and is a past president of the South Purumbete School Council.

Gregory Leigh Suter

Director

Age: 35

Occupation: Cabinet Maker

Greg is a qualified cabinet maker and joiner who owns and operates Cobden Kitchen & Joinery. He has no previous experience as a Company Director. He has trained 2 employees and also taught at the University of Melbourne.

Directors were in office from 9 January 2006 unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Company Secretary

The Company Secretary is Mrs Gayle Kelson. Gayle was appointed to the position of Secretary on 9 January 2006. She has been an administrative Officer at South West Healthcare for 6 years and on the hospital Board up until 12 months ago. She has no previous experience as a Company Secretary.

Directors' report continued

Principal activities

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

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

Operating results

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

Year ended
30 June 2006
\$
(113,299)

Remuneration report

No Director of the Company receives remuneration for services as a Company Director or committee member.

The Board's policy in respect of the branch Manager is to maintain remuneration at parity within the **Community Bank**® network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a Board role. There are therefore no Specified Executives.

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matters subsequent to the end of the financial year

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 providing banking services to the community.

Directors' report continued

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. 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:

	Number of Board meetings	
	eligible to attend	Number attended
Trevor John Gardner	20	15
James Alfred Green	20	10
Gayle Patricia Kelson	20	18
Trevor John Clarke	20	18
Stuart James Dawson	20	17
Neil Shaw Fisher	20	19
Michael David Hinkley	20	10
Donald Francis Howard	20	11
Margaret Emily McDonald	20	16
Milton John Parlour	20	17
Andrew Keith Suter	20	14
Gregory Leigh Suter	20	18

Directors' report continued

Non Audit services

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

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

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

- all non-audit services have been reviewed by the Audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 29.

Signed in accordance with a resolution of the Board of Directors at Cobden, Victoria on 27 September 2006.



Trevor James Gardner
Chairman



James Alfred Green
Director

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$
Revenues from ordinary activities	3	201
Salaries and employee benefits expense		(52,014)
Advertising and promotion expenses		(506)
Occupancy and associated costs		-
Depreciation and amortisation expense	4	-
Finance costs	4	(40)
General administration expenses		(109,277)
Loss from ordinary activities before income tax credit		(161,636)
Income tax credit	5	48,337
Loss from ordinary activities after income tax credit		(113,299)
Loss attributable to members of Cobden & Districts Community Finance Limited		(113,299)
Earnings per share (cents per share)		
- basic for profit for the year	20	(15.76)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$
Current assets		
Cash assets	6	374,133
Trade and other receivables	7	28,141
Total current assets		402,274
Non-current assets		
Property, plant and equipment	8	165,933
Intangibles	9	10,000
Deferred tax assets	10	48,337
Total non-current assets		224,270
Total assets		626,544
Current liabilities		
Trade and other payables	11	41,864
Provisions	12	5,824
Total current liabilities		47,688
Total liabilities		47,688
Net assets		578,856
Equity		
Contributed equity	13	692,155
Accumulated losses	14	(113,299)
Total equity		578,856

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	Note	2006 \$
Total equity at the beginning of the financial year		-
Net profit/(loss) for the year		(113,299)
Net income/expense recognised directly in equity		-
Dividends provided for or paid		-
Shares issued during period		718,712
Equity raising costs for period		(26,557)
Total equity at the end of the financial year		578,856

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$
Cash flows from operating activities		
Cash received from customers		117
Cash paid to suppliers and employees		(162,733)
Interest received		88
Interest paid		(40)
Net outflows from operating activities	15(b)	(162,568)
Cash flows from investing activities		
Payment for intangible assets		(10,000)
Payments for property plant and equipment		(145,454)
Net cash outflows from investing activities		(155,454)
Cash flows from financing activities		
Proceeds of share issues		718,712
Payment of equity raising costs		(26,557)
Net cash inflows from financing activities		692,155
Net increase in cash held		374,133
Cash at the beginning of the financial year		-
Cash at the end of the financial year	15(a)	374,133

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

These financial statements are the first Cobden & Districts Community Finance Limited financial statements and also the first to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of 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

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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 they related to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

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

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

Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

Intangibles

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

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Property, plant and equipment

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

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

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

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

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets 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. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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

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

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

Payment terms

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

Receivables and payables

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

Borrowings

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

Provisions

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

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

Contributed capital

Issued and paid up capital is 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.

Notes to 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 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 Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo 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 Bank Limited mitigates this risk significantly.

Notes to financial statements continued

2006

\$

Note 3: Revenue from ordinary activities

Operating activities:

- services commissions	-
- other revenue	113
Total revenue from operating activities	113

Non-operating activities:

- interest received	88
Total revenue from non-operating activities	88
Total revenues from ordinary activities	201

Note 4: Expenses

Depreciation of non-current assets:

- plant and equipment	-
- leasehold improvements	-

Amortisation of non-current assets:

- franchise agreement	-
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Borrowing expenses:

- interest paid	40
Bad debts	-

Note 5: Income tax expense

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

Operating loss	(161,636)
Prima facie tax on loss from ordinary activities at 30%	(48,491)
Add tax effect of:	
- non-deductible expenses	154
Income tax credit on operating loss	(48,337)

Notes to financial statements continued

	2006
	\$

Note 6: Cash assets

Cash at bank and on hand	374,133
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Note 7: Trade and other receivables

Trade receivables	24,559
Prepayments	3,582
	28,141

Note 8: Property, plant and equipment

Plant and equipment

At cost	165,933
Less accumulated depreciation	-
	165,933

Leasehold improvements

At cost	-
Less accumulated depreciation	-
	-

Total written down amount	165,933
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	-
Additions	165,933
Disposals	-
Less: depreciation expense	-
Carrying amount at end	165,933

Notes to financial statements continued

	2006
	\$

Note 8: Property, plant and equipment continued

Leasehold improvements

Carrying amount at beginning	-
Additions	-
Disposals	-
Less: depreciation expense	-
Carrying amount at end	-
Total written down amount	165,933

Note 9: Intangible assets

Franchise fee

At cost	10,000
Less: accumulated amortisation	-
	10,000

Note 10: Deferred tax

Deferred tax asset

Tax losses - revenue	48,337
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Note 11: Trade and other payables

Trade creditors	7,726
Other creditors & accruals	34,138
	41,864

Note 12: Provisions

Employee provisions	5,824
Number of employees at year end	5

Notes to financial statements continued

	2006 \$
Note 13: Contributed equity	
718,712 ordinary shares of \$1 each	718,712
Less: equity raising expenses	(26,557)
	692,155

Note 14: Accumulated losses

Balance at the beginning of the financial year	-
Net loss from ordinary activities after income tax	(113,299)
Dividends paid	-
Balance at the end of the financial year	(113,299)

Note 15: Statement of cash flows

(a) Reconciliation of cash

Cash at bank and on hand	374,133
Term deposit	
Bank overdraft	
	374,133

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

Loss from ordinary activities after income tax	(113,299)
Non cash items:	
- depreciation	-
- amortisation	-
Changes in assets and liabilities:	
- (increase)/decrease in receivables	(28,141)
- (increase)/decrease in other assets	(48,337)
- increase/(decrease) in payables	47,388
Net cashflows provided by/(used in) operating activities	(142,389)

Notes to financial statements continued

2006

\$

Note 16: Auditors' remuneration

Amounts received or due and receivable by the

Auditor of the Company for:

- audit & review services	2,600
- other services in relation to the Company	-
	2,600

Note 17: Director and related party disclosures

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

Trevor John Gardner

Trevor John Clarke

Stuart James Dawson

Neil Shaw Fisher

James Alfred Green

Michael David Hinkley

Gayle Patricia Kelson

Donald Francis Howard

Margaret Emily McDonald

Milton John Parlour

Andrew Keith Suter

Gregory Leigh Suter

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

Notes to financial statements continued

Note 17: Director and related party disclosures continued

Directors shareholdings	2006
Trevor John Gardner	1,001
Trevor John Clarke	3,001
Stuart James Dawson	6,001
Neil Shaw Fisher	6,001
James Alfred Green	4,001
Michael David Hinkley	2,001
Gayle Patricia Kelson	1,001
Donald Francis Howard	3,001
Margaret Emily McDonald	1,001
Milton John Parlour	2,001
Andrew Keith Suter	6,501
Gregory Leigh Suter	1

Each share held is valued at \$1.

2006
¢

Note 18: Earnings per share

Losses per share for the financial year were:	(15.76)
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Note 19: Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

Impact on the income statement	Nil.
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Impact on the balance sheet	Nil.
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Notes to financial statements continued

Note 20: Subsequent events

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

Note 21: Contingent liabilities

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

Note 22: Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients.

The economic entity operates in one geographic area being Cobden and surrounding districts, Victoria.

Note 23: Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
27 Neylon Street, Cobden, VIC 3266	37 Curdie Street, Cobden, VIC 3266

Notes to financial statements continued

Note 24: Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at the year end.

Credit risk

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

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

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		
		2006	2006	2006		
		\$	\$	\$		%

Financial assets

Cash assets	374133	-	-	-	-	.05
Receivables	-	-	-	-	24,559	N/A

Financial liabilities

Payables	-	-	-	-	47,688	N/A
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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 2006 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.

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



Trevor James Gardner
Chairman



James Alfred Green
Director

Signed on the 27th of September 2006.

Independent audit report



INDEPENDENT AUDIT REPORT

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ABN 51 061 795 337

To the members of Cobden & District Community Finance Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Cobden & Districts Community Finance Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

1. the financial report of Cobden & Districts Community Finance Limited is 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations; and
2. the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.


DAVID HUTCHINGS

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, VIC 3550
Dated this 27th day of September 2006

Auditor's independence declaration



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As lead Auditor for the audit of Cobden & Districts Community Finance Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cobden & Districts Community Finance Limited.

David Hutchings
Auditor Partner

Andrew Frewin & Stewart

Bendigo

27 September 2006

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