

# Pambula & District Community Development Limited

Franchisee Pambula Community Bank Branch, Bendigo Bank®  
Franchisee Bega Community Bank Branch, Bendigo Bank®  
ABN 27 128 796 458

## Annual Report 2016



Pambula & District Community  
Development Limited  
(Franchisee Pambula & Bega **Community Bank**®  
Branches, Bendigo Bank)

ABN 27 128 796 458

# Annual Report 2016

Presented to the **Annual General Meeting**,  
held on Wednesday 23 November 2016, at 7.00 pm  
in the Pambula Merimbula Golf Club.

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# Chairman's Report

My name is Wayne Matthews I have the honour and privilege of being the Chairman of Pambula & District Community Development Limited, owners of the local Bendigo and Adelaide Bank Franchises trading as Pambula & District **Community Bank**<sup>®</sup> Branch and Bega branch.

This year has been another stellar year for your company. Last year I said watch this space and I was right! The expansion plans we were working on over the past few years have now come to fruition with the opening of our Bega branch last September. I would like to acknowledge the key role that Phil Smith played in establishing what has become the number one branch in NSW in 2016! The result so far has been far beyond everybody's expectation. We went outside the normal bank set up and incorporated a coffee shop into the business and this has proved a great move. The only downside was that the cost of the fit out went well beyond our initial budget and reduced our cash reserves more than we wanted. However because the branch has done so well we have been able to build up the cash reserve very quickly. During the year Kim Stevenson our founding Branch Manager decided to move on. Kim and staff built our Pambula & District **Community Bank**<sup>®</sup> Branch from its beginning to one of the most successful **Community Bank**<sup>®</sup> branches in the country and we are very appreciative of everyone's efforts.

## Community Investment

Once again your bank reinvested a large amount of our profit back into our local communities through grants, sponsorships and donations. We made available a grant of \$65,000 plus GST to the Community Carers Accommodation South East which is establishing an accommodation facility at the new South East Regional Hospital to be used by people who need somewhere to stay while relatives are in the Bega hospital. These funds came via the Community Enterprise Foundation<sup>™</sup> which the company has been using to assist us distribute funds to the community. The company also had our two rounds of sponsorship which totalled around \$30,000. During this period we also employed 10 people paying out over \$640,000 in wages which, greatly assists the local community.

## Profitability

Our gross profit (net income) grew from \$1.184 million in the 2014/15 financial year to \$1.413 million in the 2015/16 financial year. After expenses and tax we should be left with a profit of \$135,780. Bendigo and Adelaide Bank are revising the current method of calculating the 50/50 profit share.

We still have \$30,000 in the Community Enterprise Foundation<sup>™</sup> which can be used to sponsor not-for-profit organisations during the coming years and will have the effect of saving the company using up current funds on sponsorship. Our focus this coming year is to rebuild our balance sheet after the large expenditure to get our Bega branch up and running.

## Dividends

We are looking at paying a fully franked dividend again this year. The decision on the amount will be made early in the new year, and it will be paid before the end of the financial year. This strategy will give the Board a better indication of cash flow and availability having had six months trading under the new profit adjustment scheme.

## Directors

The company had three new Directors join our Board during the year - Jan Southcott, Brett Kelly and Jenny Symons all well known in the Bega area. Jan for her role with Bega Rotary, Brett for his role with Tulgeen and Bega Cheese and Jenny for her work in Aged Care and Consultant Project Management. Unfortunately Brett resigned during the year because of his workload. Our Company Secretary Janet Brandon also departed during the year and we are very appreciative of

all the work she did on behalf of the Board over her time with the company. To ease the workload on our volunteer Directors it was decided to employ a part-time Office Manager to look after the day to day running of the company. Our Office Manager Kerry Lewis mainly works with Darryl Watts our Company Secretary.

**I would like to thank the following:**

My fellow Directors who give so freely of their time. Not only do they help me with the running of the company but they also support other local community groups and projects, as we all try to make our community a better place in which to live. As you can see by the healthy Balance Sheet, our positive trending profitability and our achievements as a **Community Bank®** branch in the Bendigo Adelaide Bank network, your company is in great hands.

Leea Ferris and Gavin Bell, our Bookkeepers who support our Treasurer so as he can work on more important projects.

Kerry Lewis, our Office Manager who has done a great job in getting our Policies and Procedures up to date, whilst still acting as our Minute Secretary.

Our Regional Manager Jim Crawford who we don't see as much of these days.

The many community groups and organisations that have helped to make our community a better place, by using funding we have made available to grow the community balance sheet. The more our two branches are supported by our customers the more we can help them.

Our shareholders, many who have supported us from the beginning. I'm sure you will agree with me that the funds we invested to get banking back into our community, has paid us dividends in many ways.

To Kim and Phil, who have shown great leadership and business skills in the way they have managed their branches. This is evidenced by Bega branch taking out the State Award for being the top Bendigo **Community Bank®** franchise for 2016 and in previous years by Pambula branch being number 1.

On behalf of the Board I would like to congratulate Sandy Spain for stepping into the role as Acting Manager of Pambula & District **Community Bank®** Branch when Kim Stevenson moved on in the later part of the financial year. She and all our staff stepped up and have helped achieve a great outcome for the company 2015/16.

To you all I pass on my thanks and appreciation or your support as we look forward to another year of growth and development of your company. This year is my 10th year in the setting up and involvement with the company, it has been an immense pleasure working with you all.



**Wayne Matthews**  
*Chairman*

## Deputy Chairman's Report AGM 2016

While running the risk of repeating myself, it has again been most satisfying to serve on your board during the past financial year and what a year it has been.

These past 12 months has seen your company grow from an organisation operating a Bendigo franchise in Pambula, to a more mature company now operating another Community branch in Bega along with a presence in Eden.

As I reported last year, the process of getting the doors open in Bega was both frustrating and rewarding, but the frustration experienced soon paled into insignificance when under the superb management of our Senior Manager Philip Smith, the Bega branch time after time has set new records for growth culminating in it being awarded the number one performing branch in NSW. While Philip without doubt deserves the accolades awarded to him, he is the first to stand up and proudly confirm that both Sandy Spain and the Pambula staff in conjunction with the Bega staff, are in fact the true recipients of these and any other awards that will no doubt continue to be bestowed upon them for their hard work in the years to come.

*\* We invite you all to visit the Bega branch, say hello to Philip and the staff and enjoy the unique banking experience we have created for our community.*



### **The Future:**

Now that we have laid our foundations across the breadth of our District, my job for the next financial year will be to expand on this base by diversifying our operations to increase its profitability. With a clear focus on building your Company's asset base thereby ensuring the long term future of Pambula & District Community Development Limited and its ability to provide substantial and sustainable contributions to the community, my goal is to build our business to the point of my being able to stand before you in 2017 and confirm the further success and growth of your Company.

**Lyndon D Lewis**  
*Deputy Chairman*

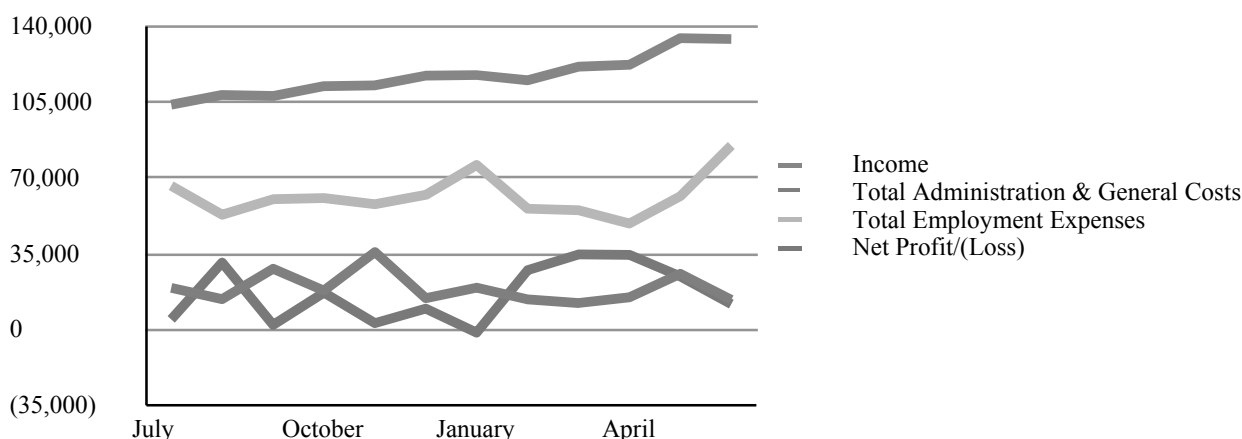
## Treasurer's Report

The financial performance of the company in 2015-2016 has been encouraging especially in the context of the Company buying an additional franchise and establishing a second branch in Bega. Your Board saw an opportunity and the decision has been vindicated with the Bega branch about to break even within one year of operating. This is a real tribute to the staff and managers. They continue to provide exceptional service to the local community and the word is getting out - the geographical spread of customers is growing.

### Income

Over the past year Income (Profit Share<sup>1</sup>) of our company (through its two franchises) has risen by 27% over the year resulting an overall total Income for the year in excess of \$1.4 million. Our May income of \$134,754 was the highest for the Company since it opened for business in 2008. The income trend line (as evidenced below) is very encouraging with the various kinks and bumps being associated with the company having either a 'three pay month' or a 'two pay month'. The Board is confident that the company will achieve a similar income result in the coming year.

## Profit or Loss - 2015-2016



### Net Profit

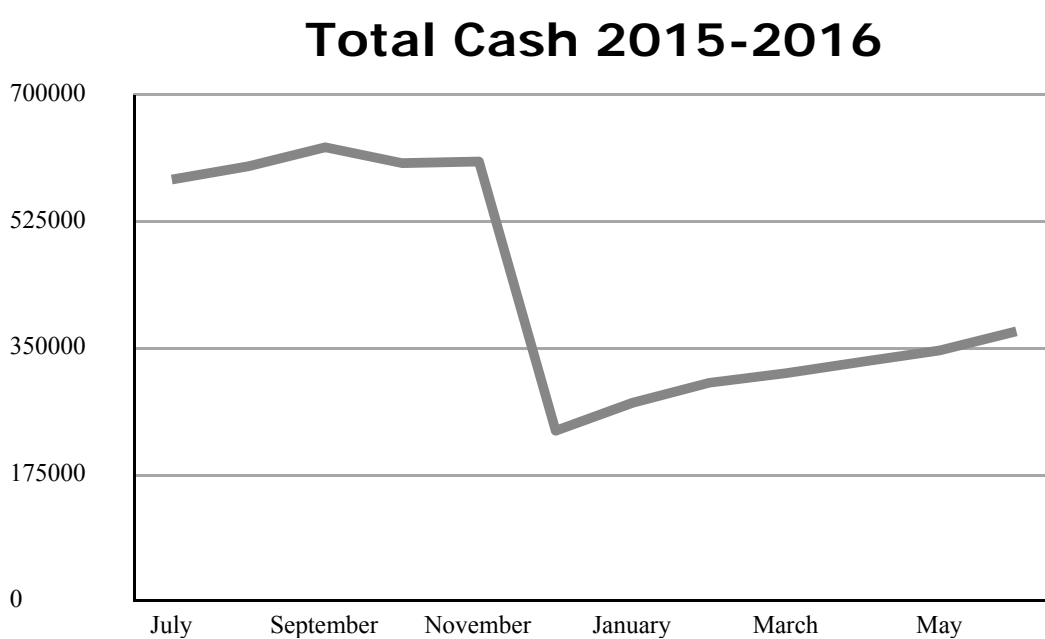
Over the past year our net profit has continued to be healthy (as evidence in the above graph). As can be seen net profit moved around month by month depending on how many pays were in each month (see January 2016 for example) but total pre-tax Net Profit for the year was \$180,799, well above budget estimates. There were some extraordinary costs associated with a departing staff member in May and June that caused overall Employment expenses to be higher than normal during those months. Employment expenses are the company's largest expense (61% of all expenses last year) but then that is why our franchises are doing so well - our banks are well staffed with extraordinary people.

The company's continuing profitability meant that it was able to pay another healthy dividend last year. This time fully franked!

### Financial Position

Net assets rose by 15% in 2015-2016 largely through increases in cash and the conversion of that into the fit out of our Bega branch. Total assets are now over \$1million with almost half of that consisting of our Bega fit out and plant and equipment in the two branches.

The Board took the decision last year to use its large cash reserves to take up the opportunity to open a branch in Bega. The cost of the fit out had a substantial impact on cash (as can be seen below) but the performance of the Bega branch has more than justified this decision. Cash is recovering largely due to the growing business in Bega.



### Thanks

I would like to pay a tribute to Leea Ferris and Gavin Bell who have once again been of great support throughout the year.

We look forward to another great year.

**Colin Dunn**  
*Honorary Treasurer*





## Senior Manager's Report

During the financial year we have expanded our services successfully to the Bega area. The Bega branch opening was celebrated on 25 September 2015 with a function at the branch for staff, shareholders, Directors and community members.

The decision to expand the company's representation to the second site was driven by the success of Pambula & District **Community Bank**<sup>®</sup> Branch since opening and the establishment of a strong customer base in Bega and surrounds on which to expand.

The inclusion of a coffee shop in the design was made by our Directors and has proven to be popular with the community and provides a great atmosphere for our customers at Bega.

Pambula & District **Community Bank**<sup>®</sup> Branch continues to be the core revenue earner for the company whilst Bega branch is now running at break even ahead of expectations and recently was awarded 'Branch of The Year NSW/ACT 2016' and 'Business Excellence in Lending NSW/ACT 2016'.

Overall as a business we can be proud of our financial performance in exceeding projections and continuing to grow our customer base.

I look forward to sharing in our continued success this financial year with our Staff, Directors, shareholders and the community.

A handwritten signature in dark ink, appearing to read 'Philip Smith', written over a light-colored, slightly textured background.

**Philip Smith**  
*Senior Manager*  
*Pambula & District Community Bank<sup>®</sup> Branch and Bega branch*

# Support for the Community

## Scholarships, Sponsorships, Grants and Donations

### Bruce Hetherington Memorial Community Scholarship

Pambula and District Community Development Limited has an agreement with the University of Wollongong (UOW) whereby our company rewards two outstanding UOW students studying an undergraduate degree in business or business related discipline in the form of a scholarship.

The Awards took place in August and winners were two exceptional people. Each received a cheque for \$1,000.

#### **Alison Vandenberg:**

Alison is a third year mature age student in the Bachelor of Commerce (Accounting) course at UOW and has achieved some outstanding results. Alison intends using the scholarship to buy a laptop computer.

Alison mentors first year students at UOW through its *Business 4 Success* program and has been working with Bega High school students helping deliver a literacy program. Being a keen thespian Alison joined *Theatre Onset*, Bega's community theatre group. Once they found out she was studying finance and accounting they made her treasurer! She is currently Finance and Administration Officer for South East Arts (NSW) Inc. and was a trainee accountant with Kothes Chartered Accountants from 2011 to 2015.

#### **Ben Marshman:**

Ben is completing his second year of a Bachelor of Commerce (Accounting) degree at the UOW and is also achieving high quality results. He intends to use the scholarship funds to help cover the cost of his studies and textbooks.



Ben was born, raised and educated in the Bega Valley however wanderlust set in and from 2013 and 2014 Ben spent time as a Housing Services Officer in the Port Hedland office of the West Australian Department of Housing. Whilst in that position he had a close involvement with securing accommodation for low income and indigenous members of the Port Hedland community.

Ben is a keen surfer and angler and having grown up the Bega Valley was attracted back to study at the UOW and to work as a trainee in the Audit Team at Kothes Chartered Accountants in Merimbula.

Ben Marshman and Allison Vandenberg with Colin Dunn at the Awards Luncheon University of Wollongong, Bega Campus.

## Major Projects this year

Twofold Bay Yacht Club Inc. - \$10,000 for the Junior Sailing program  
Lighthouse Project - \$10,000 to establish a micro credit loan program  
Carer's Accommodation South East Inc. - \$65,000 + GST  
- The building of accommodation at the new Bega Hospital  
Twyford Hall - \$3,377.00 - purchase of a chiller for their major kitchen renovation

## Christmas Hampers to

Ricky's Place  
Anglicare Eden  
Janita Fernando Christmas Lunch for the Homeless at Twyford Hall

## Sponsorship recipients 2015-2016

Animal Welfare League Burragate RFS  
Eden Chamber of Commerce  
Eden Killer Whale Museum  
FSC Cricket Club  
Lions Club Bega  
Merimbula Men's Shed  
Merimbula Imlay Historical Society  
Pambula Golf Club  
Rotary Club of Pambula  
Pambula CWA  
Sapphire Coast RSPCA  
Sculpture on the edge  
Tathra Play Group  
Wyndham Public School  
Candelo and District Landcare  
Candelo Camp Draft  
Bega Brass Band  
Art and Sport Youth Association  
Pearls Place  
Bega Festival  
Wobbles Ukelele Band

# Corporate Governance Statement

The Board is comprised entirely of non-executive independent Directors, who volunteer their time and skills as a service to the company and the community. Details of their experience and skills are given in the following section. All Directors undertake appropriate on-going training related to their roles and responsibilities.

The Board has committed to a high standard of corporate governance, financial reporting and integrity throughout the company's operations. The Board also works to ensure that the company is an employer of choice in the local area.

The following subcommittees have been established to assist and advise the full Board. The subcommittees address operational matters and draft policies, procedures and proposals for the full Board. They meet flexibly as required.

Human Resources  
Business Development and Marketing Sponsorship  
Community Strengthening Governance, Audit and Risk

## **Identifying and managing business risks**

The Board monitors the operational and financial performance of the company against the budget and other key performance measures. The Board also receives advice on areas of operational and financial risks, and develops strategies, in conjunction with management, to mitigate those risks.

## **Independent professional advice**

Directors have the right to seek independent professional advice relating to their duties as a Director at the company's expense.

## **Communication with shareholders**

As the Board acts on behalf of the shareholders, the Board aims to ensure that shareholders are informed of all major developments affecting the company's activities and operations, including information necessary to assess the performance of Directors. Communication with shareholders is achieved through the distribution of the following information:

### **The Annual Report**

This is made available to the market and all shareholders on the company's web pages within the *Bendigo and Adelaide Bank* website (search for *Pambula Community Bank*, then *Investor Relations*). Hard copies may also be collected at the Pambula or Bega District Community Bank® Branches.

Company Announcements - released to the media and also made available on the company's web pages.

The Annual General Meeting papers Newsletters distributed quarterly by mail.

## Director Profiles



### **Wayne Robert Matthews** **Chairman**

I am currently retired, but assist family members running several businesses. My most recent full time employment was as CEO of a family company that manufactured transportable homes. I also spent many years in the Army Reserve, finishing as a Second Lieutenant. I am a member of the *Rotary Club of Pambula* and recently received the President's Award.



### **Lyndon Daryl Lewis** **Deputy Chairman, Public Officer**

Now semi-retired as a business owner, I have held a number of senior management and director positions in fields as varied as transport, aluminium, distribution, retail, electronics, recording, musical and manufacturing industries.

My qualifications include electronic technology, marketing, sound and recording engineering (RMIT) and design drafting.

Along with my wife Kerry, I am the founder and operator of *Sapphire Coast Rock 'N Roll*, an annual dance festival designed to boost tourism and the economy in the local area.

Currently I am also a director of LKL Holdings Pty Ltd.



### **Darryl Watts** **Secretary**

I am a retired corporate executive, having been State Manager and National Manager in various businesses. I have had a 42 year career in business management.



**Colin Robert Dunn**  
**Treasurer**

Currently a retired academic, I am a Certified Practising Accountant, and hold qualifications in economics and commerce, secondary teaching and computing. I have worked as a senior lecturer at the RMIT University School of Management and in teaching curriculum development, school management, and policy with the Victorian and Federal governments.

With strong interests in business development and entrepreneurship, I have been: President of the Small Enterprise Association of Australia and New Zealand, President of the International Council for Small

Business, and Treasurer/Secretary of the Australasian Institute of Enterprise Facilitation. Other interests include community work, especially with the *Rotary Club of Pambula* (as Treasurer, Secretary and President).



**Russell John Fitzpatrick**  
**Director**

I am currently active in a number of roles across the local community: Councillor, *Bega Valley Shire Council* Life Member, Group 16 Rugby League and Merimbula/Pambula Minor Rugby League Board Member, *Southern NSW Health Board* Board Member, *Regional Development Australia - Far South Coast Region* Chairman, *Pambula Sporting Complex Committee* President, *Pambula Show Society*.

On the professional side, I am a former Bank Manager with 22 years experience in the banking and finance industries. As a small business operator, I owned and ran a hotel for ten years. I am currently the administration manager for a major local transport company.



**Stephen John Goodchild**  
**Director**

Now retired, my early career was in engineering and banking, and then with the Department of Education NSW for some 40 years as a primary school teacher.

I had the opportunity to design and oversee the building of a school in Thailand for the Snowy Mountains Engineering Corporation. At this road project I taught the Australian children on the project from Kindergarten to Year 11.

Since retiring from teaching, I have owned and operated a local "Bed & Breakfast" business and continued with my other interests of information technology, web design, mathematics coaching, photography, golf and community work generally.

My local community involvement and experience includes the *Rotary Club of Pambula*, where I have been a member for nearly 20 years. I have served on the Rotary Club's Board of Directors for most of that time, have held the position of President twice and have been Assistant to the District 9710 Governor for 3 years.



**Gordon John Matthews**  
**Director**

I have 40 years' experience in the motor industry, including as Finance Manager for five years and managing a dealership for 18 years. I am currently the Sales and Finance Manager for Bega Valley Motors.

I also have extensive community involvement through my long term membership of Lions International. I have been a Lion for 25 years, first in Victoria and now with the Pambula Merimbula Lions Club. I have been Club President on several occasions. In 2102, I was elected to Cabinet, where I have held and continue to hold the position of Zone Chairman for District 201 N2. In this capacity, I foster and support seven clubs in my zone, from Narooma to Eden.



**Janet Patricia Brandon**  
**Director**

As a career Federal public servant, most of my service was with the *Department of Foreign Affairs and Trade*. I had three overseas postings, including as Consul in Greece, and Vanuatu. My professional experience includes policy and program management, financial operations, consular and passport operations, property, security and HR.

Since retiring from the paid workforce, I have been involved as a volunteer in a number of community organisations and activities in the local area. It has been a pleasure to be able to give my time to assist organisations and activities that benefit the community:

*Sapphire Coast Anglican Parish*, as Treasurer  
*Pambula Aquatic Centre*, as Secretary and Public Officer  
*Sapphire Aquatic Ltd*, as Director and Public Officer  
*Rotary Club of Pambula*, as Secretary and then President  
*Community Carers Accommodation South East*, as founding President  
*Anglicare Regional Alliance*, as emergency relief worker



**Jan Southcott**  
Director

Now retired has extensive experience working as a manager and customer service trainer in the banking, insurance and financial sectors and as a small business advisor with the Australian Tax Office.

Since moving to the Bega Valley Jan has been involved in Volunteer Home Visiting Services and after joining Bega Rotary has held the positions of President, Youth Director and is now Assistant Governor.



**Jenny Symons**  
Director

**My Qualifications are:**

Executive Management and Organisation

Governance across non-government organisations and experience in commerce. Graduate from AICD 2014 Course

Bachelor of Commerce, Accounting Bachelor of Applied Science, Building.

Member NSW Clinical Excellence Commission and Agency for Clinical Innovation Boards Member Nursing and Midwifery Council of NSW. Consultant Project Manager.

Previously executive in Retirement Village and Aged care Sector.



**Brett Kelly**  
Director

For the past 21 years I have worked for Bega Cheese Limited as a Company Secretary. My qualifications and interests are:

*Bachelor of Commerce in Accounting*

*Fellow of the Institute of Chartered Accountants in Australia*

*Graduate member of Australian Institute of Company Directors*

*Certificate Member of Government Institute of Australia*

*Director - Giants Steps Sydney Limited*

*Director - Stepping Stones Early Learning Limited Member of Tathra Landcare*





*Partners in success*

Chartered Accountants

# **Pambula & District Community Development Limited**

**Financial Statements**

**30 June 2016**

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Directors' Report**

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

**Directors**

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

**Wayne Robert Matthews**

Chairman

Occupation: Retired

Qualifications, experience and expertise: Wayne is currently retired but assists family members running some of the businesses. Wayne's last full time employment was CEO of a family company that manufactured transportable homes. The business employed 45 people and was 20 years old when it was sold. Spent many years in Army Reserve finished a 2nd Lieutenant after doing a 23 month part time training course. A member of Rotary and was recently awarded the Presidents award and is on the committee to form a Men's Shed for Pambula.

Interest in shares: 11,001

**Colin Robert Dunn**

Treasurer

Occupation: Retired

Qualifications, experience and expertise: Colin's qualifications include: Bachelor of Economics and Commerce, Trained Secondary Teacher's Certificate, Graduate Diploma in Computing and Certified Practising Accountant (30 years). Colin's work experience include: Senior lecturer RMIT University School of Management, Coordinator - Youth Enterprise South west, Manager at Enterprise Education, Assistant Director at the Department of Education and Youth Affairs and Deputy Principal at Lake Tuggeranong College. Colin is a member of the Rotary Club of Pambula and has previously been the Treasurer and President and is currently the Secretary.

Interest in shares: Nil

**Lyndon Daryl Lewis**

Deputy Chairman

Occupation: Semi-retired director and business owner

Qualifications, experience and expertise: Lyndon's qualifications include: Electronic tech, various Management, Marketing and finance qualifications, Sound & Recording at RMIT and Design drafting. Previous occupations in various industries which include the: transport, aluminium, electronics, recording musical and manufacturing.

Interest in shares: 5,000

**Russell John Fitzpatrick**

Director

Occupation: Manager - Transport

Qualifications, experience and expertise: Experience & Expertise: Ex bank industry executive, own business owner, current Bega Valley Shire Councillor, Chairman Pambula Hospital Advisory Board, President Pambula Show Society, Chairman group 16 Rugby League, life member minor rugby league, Current NSW Hospital, Board Member Southern NSW Health, Board Member Regional Development Australia Far South Coast.

Interest in shares: Nil

**Gordon John Matthews**

Director

Occupation: Finance, Sales and Marketing Manager

Qualifications, experience and expertise: Gordon has 40 years experience in the motor industry, including as a Finance Manager for five years and managing a dealership for 18 years. He is currently the sales and finance manager for Bega Valley Motors. Gordon also has extensive community involvement through his long term membership of Lions International. He has been a Lion for 25 years, first in Victoria and now with the Pambula Merimbula Lions Club. Gordon has been Club President on several occasions. In 2012, he was elected to Cabinet where he has held and continues to hold the position of zone Chairman for District 201 N2. In this capacity he fosters and supports seven clubs from Narooma to Eden.

Interest in shares: Nil

**Darryl Watts**

Director

Occupation: Retired

Qualifications, experience and expertise: Retired corporate executive, state and national manager of various businesses, 42 years experience in business management, including various companies such as Woolworths Ltd, David Holdings, Campbells Cash and Carry, Harris Farm Markets National and Metcash Distributors.

Interest in shares: 1

**Pambula & District Community Development Limited**  
ABN 27 128 796 458  
Directors' Report

**Directors (continued)**

Janice Faye Southcoat

Director (Appointed 25 November 2015)

Occupation:

Qualifications, experience and expertise: Janice has previously worked in the Insurance industry with NRMA for 12 years. Worked at the ATO in the small business section and most recently at Commonwealth bank. She managed a Country Service Centre for five years. Since moving to Bega Valley nine years ago, she has been involved with Volunteer Home Visiting Service for Campbell Page and joined Bega Rotary where she held the position such as President, Youth Director and now Assistant Governor.

Interest in shares: Nil

Jennifer Symons

Director (Appointed 27 April 2016)

Occupation:

Qualifications, experience and expertise: Jennifer is a graduate of the AICD Course (2014), Bcomm (Accounting), BAPSc (Building). She is currently Chair for Southern NSW Local Health District, a member of Nursing and Midwifery Council of NSW and a Consultant Project Manager. She was previously the Executive in the Retirement Village and Agent Care sector for 24 years and the Building and Development sector for 7 years.

Interest in shares: Nil

Stephen John Goodchild

Director (Resigned 3 July 2016)

Occupation: Business owner

Qualifications, experience and expertise: Has owned Bed & Breakfast business, experience as a land surveyor and a past primary school teacher. Involved in Pambula Rotary club and golf club. Diploma of Teaching.

Interest in shares: Nil

Janet Patricia Brandon

Director/ Secretary (Resigned 24 February 2016)

Occupation: Retired

Qualifications, experience and expertise: Ex-Public Servant Executive, management experience in a number of community not-for-profit organisations. Former Treasurer of Sapphire Coast Anglican Parish, past President of Rotary Club of Pambula, Past Secretary of Pambula Aquatic Centre Inc. Bachelor of Arts (University of Sydney)

Interest in shares: 3,000

Brett Kelly

Director (Appointed 22 July 2015, Resigned 8 February 2016)

Occupation:

Qualifications, experience and expertise: Member of the Institute for Chartered Accountants. Brett worked in a global accounting firm where he was involved in audit and business advisory working with a range of organisations including government, not for profit, listed and unlisted companies. For the past 21 years he has worked for Bega Cheese Limited where he was Company Secretary. He is also a member of Thathra Landcare.

Special responsibilities: Chair of Human Resources Committee

Interest in shares: Nil

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

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

**Company Secretary**

The company secretary is Darryl Watts. Darryl was appointed to the position of secretary on 26 November 2015.

Qualifications, experience and expertise: Darryl is a retired business executive with 42 years experience and is a past Fellow of the Australian Institute of Australia.

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Directors' Report**

**Principal Activities**

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

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

**Operating results**

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

Year ended 30 June 2016	Year ended 30 June 2015
\$	\$
135,780	181,410

**Dividends**

Dividends paid in the year:

Year ended 30 June 2016 Cents	\$
3	25,410

**Significant changes in the state of affairs**

During the year, the company was pleased to be involved in the establishment of a new branch in Bega. The branch commenced operations in September 2015. The company was also involved in the establishment of a new Bendigo Bank Agency in Eden. This Agency is operated by the firm Eden Realty Pty Ltd, and provides a central and accessible location in Eden, for the convenience of new and existing customers of Bendigo Bank. Our company's role is to oversee the banking operations and to provide advice and assistance to the Agency as required. The company will incur some small regular expenses by paying the Agency a small fee for each successful home loan referral.

In the opinion of the Directors, the new Agency is providing a significant increase in the availability of banking services in Eden, and this may be reflected in the future, in terms of a possible increase in Bendigo Bank customers from that area.

In the opinion of the directors there were no other 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.

**Events since the end of the financial year**

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

**Likely developments**

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

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Directors' Report**

**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 22 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:

	<b>Board Meetings</b>	
	<i>Eligible</i>	<i>Attended</i>
Wayne Robert Matthews	12	10
Colin Robert Dunn	12	7
Lyndon Daryl Lewis	12	12
Russell John Fitzpatrick	12	11
Gordon John Matthews	12	11
Darryl Watts	12	10
Jan Southcoat ( <i>Appointed 25 November 2015</i> )	8	6
Jennifer Symons ( <i>Appointed 27 April 2016</i> )	3	2
Stephen John Goodchild ( <i>Resigned 3 July 2016</i> )	12	11
Janet Patricia Brandon ( <i>Resigned 24 February 2016</i> )	7	6
Brett Kelly ( <i>Appointed 22 July 2015, Resigned 8 February 2016</i> )	6	6

**Proceedings on behalf of the company**

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

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

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Directors' Report**

**Non audit services**

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

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

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

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

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Pambula, New South Wales on 16 September 2016.



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**Wayne Robert Matthews, Chairman**



**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Pambula & District Community Development Limited**

As lead auditor for the audit of Pambula & District Community Development Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 16 September 2016

**David Hutchings**  
Lead Auditor

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

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

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**for the year ended 30 June 2016**

	<b>Notes</b>	<b>2016 \$</b>	<b>2015 \$</b>
Revenue from ordinary activities	4	1,413,874	1,184,058
Employee benefits expense		(736,877)	(522,255)
Charitable donations, sponsorship, advertising and promotion		(64,921)	(136,881)
Occupancy and associated costs		(121,212)	(59,494)
Systems costs		(42,248)	(24,036)
Depreciation and amortisation expense	5	(60,500)	(38,785)
Finance costs	5	(1,912)	(2,654)
General administration expenses		(191,424)	(139,122)
<b>Profit before income tax expense</b>		<b>194,780</b>	<b>260,831</b>
Income tax expense	6	(59,000)	(79,421)
<b>Profit after income tax expense</b>		<b>135,780</b>	<b>181,410</b>
<b>Total comprehensive income for the year</b>		<b>135,780</b>	<b>181,410</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company:</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	23	16.03	21.42

The accompanying notes form part of these financial statements



**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Balance Sheet**  
**as at 30 June 2016**

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	385,585	629,343
Trade and other receivables	8	153,244	107,627
<b>Total Current Assets</b>		<u>538,829</u>	<u>736,970</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	459,859	148,044
Intangible assets	10	71,435	46,933
Deferred tax asset	11	-	13,313
<b>Total Non-Current Assets</b>		<u>531,294</u>	<u>208,290</u>
<b>Total Assets</b>		<u>1,070,123</u>	<u>945,260</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	100,823	59,601
Current tax liabilities	11	14,944	57,427
Borrowings	13	28,470	14,523
Provisions	14	43,889	29,910
<b>Total Current Liabilities</b>		<u>188,126</u>	<u>161,461</u>
<b>Non-Current Liabilities</b>			
Trade and other payables	12	21,218	-
Deferred tax liabilities	11	589	-
Borrowings	13	-	28,470
Provisions	14	12,026	17,535
<b>Total Non-Current Liabilities</b>		<u>33,833</u>	<u>46,005</u>
<b>Total Liabilities</b>		<u>221,959</u>	<u>207,466</u>
<b>Net Assets</b>		<u>848,164</u>	<u>737,794</u>
<b>Equity</b>			
Issued capital	15	811,715	811,715
Retained earnings/(Accumulated losses)	16	36,449	(73,921)
<b>Total Equity</b>		<u>848,164</u>	<u>737,794</u>

The accompanying notes form part of these financial statements

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2016**

	Issued capital \$	Retained earnings / (Accumulated losses) \$	Total equity \$
<b>Balance at 1 July 2014</b>	<u>811,715</u>	<u>(191,804)</u>	<u>619,911</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>181,410</u>	<u>181,410</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(63,527)	(63,527)
<b>Balance at 30 June 2015</b>	<u>811,715</u>	<u>(73,921)</u>	<u>737,794</u>
<b>Balance at 1 July 2015</b>	<u>811,715</u>	<u>(73,921)</u>	<u>737,794</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>135,780</u>	<u>135,780</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(25,410)	(25,410)
<b>Balance at 30 June 2016</b>	<u>811,715</u>	<u>36,449</u>	<u>848,164</u>

The accompanying notes form part of these financial statements

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Statement of Cash Flows**  
**for the year ended 30 June 2016**

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,520,417	1,261,193
Payments to suppliers and employees		(1,276,666)	(955,603)
Interest received		6,591	12,514
Interest paid		(1,912)	(2,654)
Income taxes paid		(87,581)	(19,749)
<b>Net cash provided by operating activities</b>	17	<u>160,849</u>	<u>295,701</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(345,385)	(9,529)
Payments for intangible assets		(19,289)	-
<b>Net cash used in investing activities</b>		<u>(364,674)</u>	<u>(9,529)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(14,523)	(13,781)
Dividends paid		(25,410)	(63,527)
<b>Net cash used in financing activities</b>		<u>(39,933)</u>	<u>(77,308)</u>
<b>Net increase/(decrease) in cash held</b>		(243,758)	208,864
Cash and cash equivalents at the beginning of the financial year		629,343	420,479
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u>385,585</u>	<u>629,343</u>

The accompanying notes form part of these financial statements

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**Note 1. Summary of significant accounting policies**

**a) Basis of preparation**

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

**Compliance with IFRS**

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

**Critical accounting estimates**

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

**Historical cost convention**

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

**Comparative figures**

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

**Application of new and amended accounting standards**

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
• AASB 16 Leases	1 January 2019
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**Note 1. Summary of significant accounting policies (continued)**

**a) Basis of preparation (continued)**

Application of new and amended accounting standards (continued)

	Effective for annual reporting periods beginning on or after
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
• AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
• AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

**Economic dependency - Bendigo and Adelaide Bank Limited**

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

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

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

The company promotes and sells the products and services, but is not a party to the transaction.

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**Note 1. Summary of significant accounting policies (continued)**

**a) Basis of preparation (continued)**

**Economic dependency - Bendigo and Adelaide Bank Limited (continued)**

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

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

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

**b) Revenue**

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

**Revenue calculation**

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

**Core banking products**

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**Note 1. Summary of significant accounting policies (continued)**

**b) Revenue (continued)**

**Margin**

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits  
*plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,  
*minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

**Commission**

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

**Fee income**

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

**Ability to change financial return**

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

**Monitoring and changing financial return**

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**Note 1. Summary of significant accounting policies (continued)**

**b) Revenue (continued)**

*Monitoring and changing financial return (continued)*

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

**c) Income tax**

**Current tax**

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

**Deferred tax**

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

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

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

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

**Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other 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.



**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**Note 1. Summary of significant accounting policies (continued)**

**e) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

**f) Trade receivables and payables**

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

**g) Property, plant and equipment**

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

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

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

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

**h) Intangibles**

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

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

**i) Payment terms**

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

**j) Borrowings**

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

**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.

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**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) *Available-for-sale financial assets*  
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.  
They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.
- (iv) *Financial liabilities*  
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other 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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

**n) Contributed equity**

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

**o) Earnings per share**

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

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**Note 1. Summary of significant accounting policies (continued)**

**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.

**(iv) Liquidity risk**

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

**(v) Cash flow and fair value interest rate risk**

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

**(vi) Capital management**

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

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

The distribution limit is the greater of:

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

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**Note 2. Financial risk management (continued)**

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2016 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

**Note 3. Critical accounting estimates and judgements**

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

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

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

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

**Taxation**

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

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

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

**Estimation of useful lives of assets**

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

**Impairment of assets**

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

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

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**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.

**Note 4. Revenue from ordinary activities**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- services commissions	1,409,179	1,170,115
Total revenue from operating activities	<u>1,409,179</u>	<u>1,170,115</u>
Non-operating activities:		
- interest received	4,695	13,943
Total revenue from non-operating activities	<u>4,695</u>	<u>13,943</u>
Total revenues from ordinary activities	<u>1,413,874</u>	<u>1,184,058</u>

**Note 5. Expenses**

Depreciation of non-current assets:		
- plant and equipment	8,048	6,400
- leasehold improvements	15,254	8,403
- motor vehicles	10,268	10,239
Amortisation of non-current assets:		
- franchise agreement	3,940	2,191
- franchise renewal fee	22,990	11,552
	<u>60,500</u>	<u>38,785</u>
Finance costs:		
- interest paid	<u>1,912</u>	<u>2,654</u>
Bad debts	<u>99</u>	<u>131</u>

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<b>Note 6. Income tax expense</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
The components of tax expense comprise:		
- Current tax	50,068	77,176
- Movement in deferred tax	13,925	814
- Adjustment to deferred tax to reflect change to tax rate in future periods	(23)	701
- Recoupment of prior year tax losses	(4,970)	730
	<u>59,000</u>	<u>79,421</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	194,780	260,831
Prima facie tax on profit from ordinary activities at 28.5% (June 2015 30%)	55,512	78,249
Add tax effect of:		
- non-deductible expenses	3,759	471
- timing difference expenses	(9,203)	(814)
	<u>50,068</u>	<u>77,906</u>
Movement in deferred tax	13,925	814
Recoupment of prior year tax losses	(4,970)	-
Adjustment to deferred tax to reflect change of tax rate in future periods	(23)	701
	<u>59,000</u>	<u>79,421</u>
<b>Note 7. Cash and cash equivalents</b>		
Cash at bank and on hand	294,105	231,529
Term deposits	91,480	397,814
	<u>385,585</u>	<u>629,343</u>
<b>Note 7.(a) Reconciliation to cash flow statement</b>		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	294,105	231,529
Term deposits	91,480	397,814
	<u>385,585</u>	<u>629,343</u>
<b>Note 8. Trade and other receivables</b>		
Trade receivables	130,559	99,912
Prepayments	21,851	4,985
Other receivables and accruals	834	2,730
	<u>153,244</u>	<u>107,627</u>

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<b>Note 9. Property, plant and equipment</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements		
At cost	450,034	141,774
Less accumulated depreciation	(82,980)	(67,726)
	<u>367,054</u>	<u>74,048</u>
 Plant and equipment		
At cost	112,412	75,287
Less accumulated depreciation	(49,621)	(41,573)
	<u>62,791</u>	<u>33,714</u>
 Motor vehicles		
At cost	51,338	51,338
Less accumulated depreciation	(21,324)	(11,056)
	<u>30,014</u>	<u>40,282</u>
 Total written down amount	<u>459,859</u>	<u>148,044</u>
 <b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	74,048	82,451
Additions	308,260	-
Less: depreciation expense	(15,254)	(8,403)
Carrying amount at end	<u>367,054</u>	<u>74,048</u>
 Plant and equipment		
Carrying amount at beginning	33,714	30,556
Additions	37,125	9,528
Less: depreciation expense	(8,048)	(6,370)
Carrying amount at end	<u>62,791</u>	<u>33,714</u>
 Motor vehicles		
Carrying amount at beginning	40,282	50,550
Less: depreciation expense	(10,268)	(10,268)
Carrying amount at end	<u>30,014</u>	<u>40,282</u>
 Total written down amount	<u>459,859</u>	<u>148,044</u>
 <b>Note 10. Intangible assets</b>		
Franchise fee		
At cost	27,887	21,453
Less: accumulated amortisation	(17,589)	(13,648)
	<u>10,298</u>	<u>7,805</u>
 Establishment fee (Bega)		
At cost	44,999	-
Less: accumulated amortisation	(11,538)	-
	<u>33,461</u>	<u>-</u>
 Renewal processing fee (Pambula)		
At cost	57,260	57,260
Less: accumulated amortisation	(29,584)	(18,132)
	<u>27,676</u>	<u>39,128</u>
 Total written down amount	<u>71,435</u>	<u>46,933</u>

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	2016	2015
	\$	\$
<b>Note 11. Tax</b>		
<b>Current:</b>		
Income tax payable	<u>14,944</u>	<u>57,427</u>
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	715	698
- employee provisions	15,377	13,393
	<u>16,092</u>	<u>14,091</u>
Deferred tax liability		
- accruals	229	778
- property, plant and equipment	16,452	-
	<u>16,681</u>	<u>778</u>
Net deferred tax asset/(liability)	<u>(589)</u>	<u>13,313</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>13,902</u>	<u>2,245</u>
<b>Note 12. Trade and other payables</b>		
<b>Current:</b>		
Trade creditors	34,643	20,179
Other creditors and accruals	66,180	39,422
	<u>100,823</u>	<u>59,601</u>
<b>Non Current</b>		
Other creditors and accruals	21,218	-
	<u>21,218</u>	<u>-</u>
<b>Note 13. Borrowings</b>		
<b>Current:</b>		
Chattel Mortgage	18	<u>28,470</u>
<u>28,470</u>	<u>14,523</u>	
<b>Non-Current:</b>		
Chattel Mortgage	18	<u>-</u>
<u>-</u>	<u>28,470</u>	
Holden Trax MV Loan is repayable monthly with the final instalment due in June 2017. Interest is recognised at an average rate of 5.25%. The loans are secured by a fixed and floating charge over the company's assets.		
<b>Note 14. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	<u>43,889</u>	<u>29,910</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>12,026</u>	<u>17,535</u>



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<b>Note 15. Contributed equity</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
847,009 Ordinary shares fully paid (2014: 847,009)	847,009	847,009
Less: equity raising expenses	(35,294)	(35,294)
	<b>811,715</b>	<b>811,715</b>

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 231. As at the date of this report, the company had 237 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.

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**Note 15. Contributed equity (continued)**

Prohibited shareholding interest (continued)

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

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

<b>Note 16. Retained earnings/(Accumulated losses)</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	(73,921)	(191,804)
Net profit from ordinary activities after income tax	135,780	181,410
Dividends paid or provided for	(25,410)	(63,527)
Balance at the end of the financial year	<u>36,449</u>	<u>(73,921)</u>

**Note 17. Statement of cash flows**

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	135,780	181,410
Non cash items:		
- depreciation	33,570	25,042
- amortisation	26,930	13,743
Changes in assets and liabilities:		
- increase in receivables	(45,617)	(16,186)
- decrease in other assets	13,313	2,245
- increase in payables	30,297	42,705
- increase/(decrease) in provisions	8,470	(10,685)
- increase/(decrease) in current tax liabilities	(41,894)	57,427
Net cash flows provided by operating activities	<u>160,849</u>	<u>295,701</u>

**Note 18. Leases**

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	34,521	34,521
- between 12 months and 5 years	48,905	83,428
- greater than 5 years	-	-
	<u>83,426</u>	<u>117,949</u>

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 2018 and has two 5 year extension options available.

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<b>Note 19. Auditor's remuneration</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,100	3,950
- share registry services	3,390	3,089
- non audit services	2,510	2,370
	<u>10,000</u>	<u>9,409</u>

**Note 20. Director and related party disclosures**

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

Wayne Robert Matthews  
 Colin Robert Dunn  
 Lyndon Daryl Lewis  
 Russell John Fitzpatrick  
 Gordon John Matthews  
 Darryl Watts  
 Jan Southcoat (*Appointed 25 November 2015*)  
 Jennifer Symons (*Appointed 27 April 2016*)  
 Stephen John Goodchild (*Resigned 3 July 2016*)  
 Janet Patricia Brandon (*Resigned 24 February 2016*)  
 Brett Kelly (*Appointed 22 July 2015, Resigned 8 February 2016*)

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:

Gordon Matthews provides mechanical services for the companies motor vehicles	336	-
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No other 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.

<b>Directors Shareholdings</b>	<b>2016</b>	<b>2015</b>
Wayne Robert Matthews	11,001	11,001
Colin Robert Dunn	-	-
Lyndon Daryl Lewis	5,000	5,000
Russell John Fitzpatrick	-	-
Gordon John Matthews	-	-
Darryl Watts	1	1
Jan Southcoat ( <i>Appointed 25 November 2015</i> )	-	-
Jennifer Symons ( <i>Appointed 27 April 2016</i> )	-	-
Stephen John Goodchild ( <i>Resigned 3 July 2016</i> )	-	-
Janet Patricia Brandon ( <i>Resigned 24 February 2016</i> )	3,000	3,000
Brett Kelly ( <i>Appointed 22 July 2015, Resigned 8 February 2016</i> )	-	-

There was no movement in directors shareholdings during the year.

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<b>Note 21. Dividends paid or provided</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>a. Dividends paid during the year</b>		
Current year dividend		
100% (2015: nil) franked dividend - 3 cents (2015: 7.5 cents) per share	<u>25,410</u>	<u>63,527</u>

The tax rate at which dividends have been franked is 30% (2015: 30%).

<b>b. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	96,440	19,749
- franking credits that will arise from payment of income tax as at the end of the financial year	14,944	57,427
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
	<u>111,384</u>	<u>77,176</u>
Franking credits available for future financial reporting periods:		
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	<u>111,384</u>	<u>77,176</u>

**Note 22. Key Management Personnel Disclosures**

The directors received remuneration including superannuation, as follows:

Wayne Robert Matthews	-	-
Colin Robert Dunn	-	-
Lyndon Daryl Lewis	-	-
Russell John Fitzpatrick	-	-
Gordon John Matthews	-	-
Darryl Watts	-	-
Jan Southcoat ( <i>Appointed 25 November 2015</i> )	-	-
Jennifer Symons ( <i>Appointed 27 April 2016</i> )	-	-
Stephen John Goodchild ( <i>Resigned 3 July 2016</i> )	-	-
Janet Patricia Brandon ( <i>Resigned 24 February 2016</i> )	-	-
Brett Kelly ( <i>Appointed 22 July 2015, Resigned 8 February 2016</i> )	-	-
	<u>-</u>	<u>-</u>

**Note 23. Earnings per share**

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	135,780	181,410
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	847,009	847,009

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**Note 24. Events occurring after the reporting date**

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

**Note 25. Contingent liabilities and contingent assets**

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

**Note 26. Segment reporting**

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Pambula, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

**Note 27. Registered office/Principal place of business**

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

Registered Office  
55A Toalla Street  
Pambula NSW 2549

Principal Place of Business  
55A Toalla Street  
Pambula NSW 2549

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2016**

**Note 28. Financial instruments**

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash and cash equivalents	293,580	231,079	91,480	397,814	-	-	-	-	525	450	1.06	2.59
Receivables	-	-	-	-	-	-	-	-	130,559	99,912	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	-	-	28,470	14,523	-	28,470	-	-	-	-	5.43	5.38
Payables	-	-	-	-	-	-	-	-	55,861	20,179	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016	2015
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	3,566	5,859
Decrease in interest rate by 1%	3,566	5,859
Change in equity		
Increase in interest rate by 1%	3,566	5,859
Decrease in interest rate by 1%	3,566	5,859

**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Directors' Declaration**

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

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 2016 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.



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**Wayne Robert Matthews, Chairman**

Signed on the 16th of September 2016.



## 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 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 that gives a true and fair view 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 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 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 fair 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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## Independence

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

## Auditor's opinion on the financial report

In our opinion:

1. The financial report of 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 2016 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.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 16 September 2016



**David Hutchings**  
Lead Auditor