

Good for **U**
AND your
community



2018 ANNUAL REPORT



Pambula Community Bank® Branch
Bega Community Bank® Branch
ABN 27 128 796 458

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

ABN 27 128 796 458

Annual Report 2018

Presented to the **Annual General Meeting**,
Wednesday 21 November 2018, 7.00pm
at the Pambula Merimbula Golf Club

Contents

Chairman's Report	3
Treasurer's Report	5
Senior Manager's Report	8
Contributions for our Community	9
Corporate Governance Statement	12
Director Profiles	13

Financial Statements

- Directors' Report	17
- Financials	22
- Notes to the Financial Statements	27
- Independent Auditor's Report	49

Chairman's Report

Community

Since we opened our doors in Pambula in 2008 we have returned over \$500,000 to our community in the form of sponsorships and donations. In 2017-2018 alone in excess of \$60,000 was returned to the Bega Valley community. Of particular significance has been our support for the people affected by the Tathra fires. Our company opted to support the fires through the Mayoral Fund and donated \$20,000 to this Fund. However, across Australia other Bendigo Community Banks decided to contribute to the Mayoral Fund and in total the contributions by the Bendigo Bank Community network was in excess of \$43,000. This is a tribute to the 'family' of Community Banks across the country who step up in times of crisis.

Strategic Direction

The Board of the bank spent some time this year revising the Company's Mission, Vision and Objectives. The original mission was 'to return banking services to Pambula'. Well that has certainly been achieved with Pambula shortly to celebrate 10 years of operating, so we needed to update the strategic direction.

The Board is now looking more broadly and sees its community as the whole of the Sapphire Coast. This is now embedded into the Vision of the company. The new vision is: *A sustainable and diversified business that is valued by the Sapphire Coast Community enabling it to build a larger community balance sheet and a more economically viable and prosperous community.*

The challenge for the Board is to maintain the healthy bottom line whilst endeavouring to 'future proof' the Company. There are many challenges for all banks right now. Most transactions are on-line. Younger people rarely go into a bank. Whilst our two banks have healthy over-the-counter transactions this will not always be the case. Your Board is taking a careful look at how we might strengthen our balance sheet with low risk, income-earning assets. We see this as a responsible thing to do in order to protect the interests of our shareholders and our community.

Objectives

The Board considered what should be the measurable outcomes for the Company and came up with the following: The objectives of the Company are to:

1. *have a long-term growth strategy based on banking trends and the economic environment;*
2. *continue to grow the profits of the business through the provision of financial services and other business opportunities that add value to the both the community and the Company;*

3. *build strong strategic relationships and partnership with local organisations that enable our Company to leverage significant community projects;*
4. *create a clear and constructive marketing strategy that has a focus on the Company's point of difference; and*
5. *have an educated, community-minded and skilled staff who have an enterprising attitude and are committed to engaging with the community.*

Sapphire Coast Microfinance

It is not easy for a small business to get finance. Even harder for a start-up small business. There is not the history of the business to show to the banker nor are there usually many assets to borrow against. This deficiency was recognised by the Lighthouse Foundation in the ACT and a fund was established to provide no-interest loans to people who had a good business idea and plan and wanted to give business a go. It has been most successful with 97% of recipients regularly repaying their loan.

Lighthouse approached our Company and we have joined with them to establish the Sapphire Coast Microfinance program. Your company invested \$10,000 into the fund as did the Snow Foundation from the ACT – making a total of \$20,000. Our Shire Council provided \$10,000 to support the administration of the program.

Since its inception three years ago the fund has provided over \$18,000 to eight small business operators who commit to monthly repayments. Businesses include - clothes for the doof-doof music scene; a mobile car repair business; indigenous arts; and property maintenance.

This program is closely aligned to the federal government's New Enterprise Incentive Scheme (NEIS). Recipients of funding under the Sapphire Coast Microfinance program are mentored and supported and guided by experts and they participate in regular on-line marketing and business development sessions.

The recipients are on-track with repayments and the fund has been able to support new small business start-ups as the fund is replenished. A great way to support new businesses in the Valley!!

Thanks

Finally I would like to thank all our staff who operate as a great team under the guidance of our unflappable manager Phil Smith. And, of course, I am grateful for the support of the Board. I look forward to another great year in 2018-2019.



Colin Dunn
Chairman

Treasurer's Report

The company's financial performance 2017-18 was again solid, with growth in revenue partially offset in a lesser growth in expenses delivering a further growth in net assets. The financial results were generated by the maturity of the Pambula branch of the growth of the Bega Branch.

The company finished the year with a before tax profit of \$306 617 and an after tax profit of \$219 470. This is another excellent result.

Revenue

Revenue grew by 8.1% in 2017-18 (\$1.649m), exceeding the 7.2% growth in 2016-17 (\$1.526m). Revenue growth was largely due to the growth of the Bega Branch, along with the ongoing success of the Pambula Branch. With the Pambula Branch approaching ten years since its establishment, the Board is taking steps to ensure that business is renewed as that branch matures, with a particular focus on marketing and staffing.

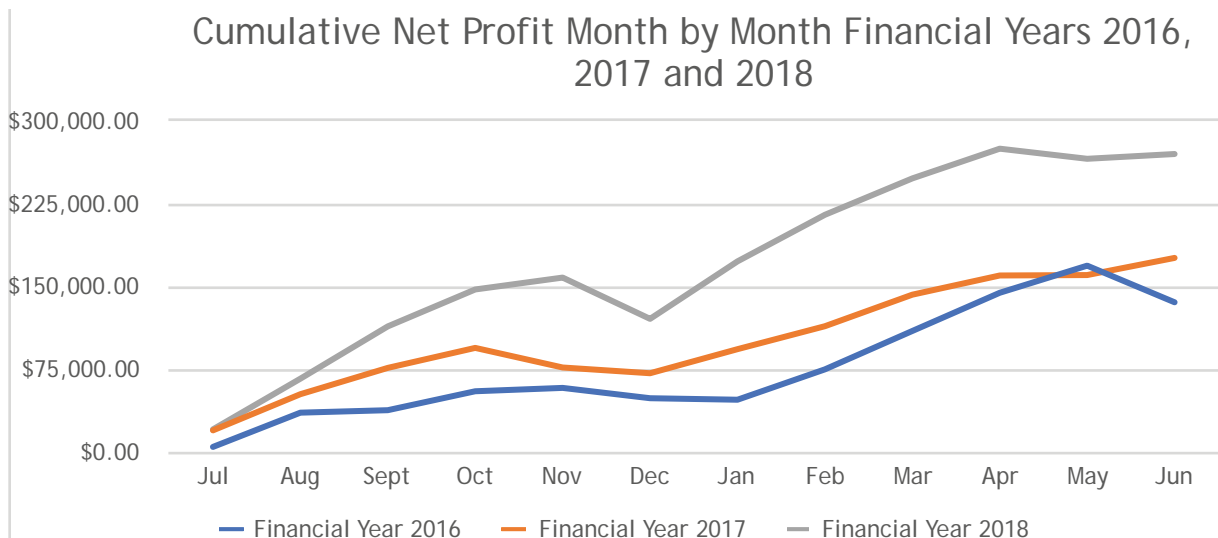
Expenses

Three expense categories together comprise 86% of total expenses, namely employee expenses (62% of total expenses – an increase of 2% on 2016-17), general administration expenses (14% of total expenses – a decrease of 1% on 2016-17) and occupancy and associated costs expenses (10% of total expenses – a decrease of 1% on 2016-17).

In the cases of the general administration expenses and the occupancy costs the actual expenses have reduced during the year. In the case of the increased employee expenses, the increase is due to the need to support the growth of the business with proportionate staffing levels. In the second half of 2017-18 staffing levels were increased, with the recruitment of staff already experienced in community banking. The Board's decisions were supported by consideration of the company's history of employee expense to revenue data and that of other franchises. The Board is continuing to monitor this as a key ratio.

Profit

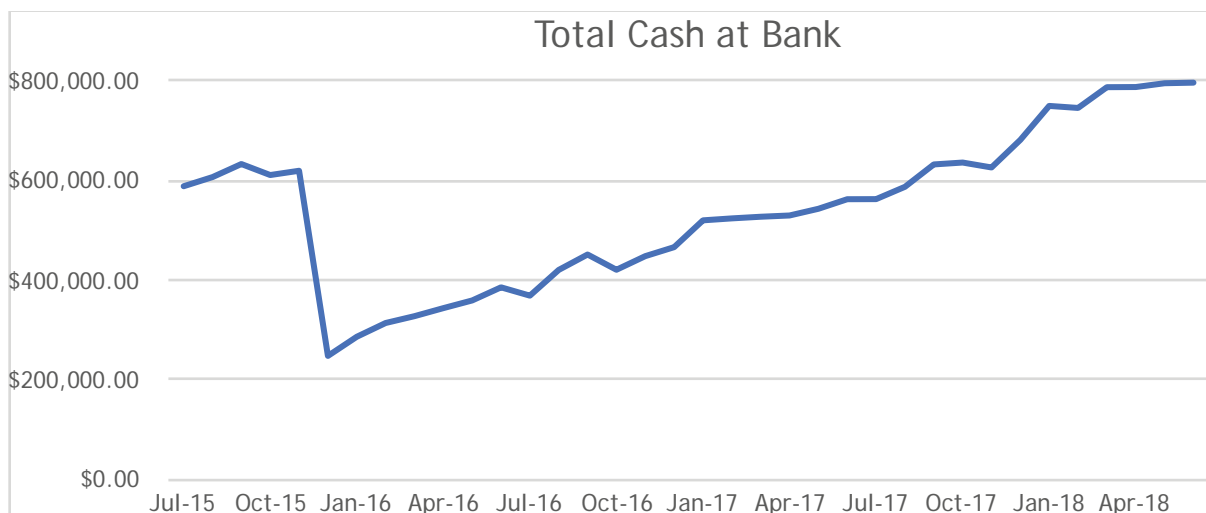
Profit after income tax for 2017-18 was \$219 470, an increase of \$52 413 on the previous year. Total pre tax profit for the year again exceeded budget, totalling \$306 617, consistent with the comparison of accumulation of profit each month of the financial year for the last three years.



The company's accounts are recorded on a cash basis with the second three (fortnightly) pay month occurring in June 2016, May 2017 and May 2018.

Financial Position

Net assets rose by 17.9% in 2017-18, consistent with the 2016-17 result as was the dominant change being the increase in cash. The end of the financial year saw the cash total the highest levels in the company's history.



Dividend

As a result of the performance of the company for the financial 2016/17 the board determined that a five cents per share fully franked (tax paid to 30c per share) be paid to shareholders in November 2017.

Risk Management

During 2017/18, the Board has developed its risk management framework, including refinement of its cash management policy in light the growth in that asset. Particular to the Board's discussions and decisions have been the need to ensure adequate ready cash reserves and ensuring returns to shareholders and the local community.

Investment Strategy

Given the company's strong financial position, during 2017/18, the Board has been developing an investment criteria framework that reflects its strategic planning and will support its decision making regarding on going investment and expansion as it fulfils its mission in the local community.

Acknowledgement and Thanks

The company continues to produce results that stand well in their own right, and very well in comparison with others within the community banking network, and I take this opportunity to particularly acknowledge Phil Smith (Senior Manager), Sandy Spain (Pambula) and all the staff.

Thanks also go to Gavin Bell and Leea Ferris for their ongoing work and commitment to the organisation, Again this year, the work of Treasurer has been the more effective due to the contributions by Chair, Colin Dunn.

Jenny Symons
Honorary Treasurer



Senior Manager's Report

We have again recorded a successful year with a record return before tax . Our Bega site will soon celebrate its third birthday and Pambula ten years of successfully servicing the community.

Our continued success is a result of our unmatched customer service , high level of community support through our local sponsorship and our competitive products. Through our expanded local team of staff , support staff and directors we have pursued expansion of our market share and grow our ability to contribute the community and shareholders.

Key to our growth continues to be our success in winning business from our competitors. This has been greatly assisted by our ability to make local decisions, unmatched face to face service and retention of profits in the local community. We are always looking for new ways to engage the community and welcome your feedback.

I look forward to sharing in our continued success for 2018/2019 with all our stakeholders

Philip Smith

Senior Manager Pambula & District **Community Bank®** Branch and Bega branch

Contributions to our Community

Bruce Hetherington Memorial Community Scholarships

Pambula and District Community Development Limited in agreement with the University of Wollongong (UOW) has again this year, awarded scholarships to two outstanding UOW students studying an undergraduate degree in business or business related subjects

Jesse Edwards

Jesse is aged 26, studying a Bachelor of Commerce at the University of Wollongong - Bega Campus. He is undertaking a Degree in Management and will pursue a career in Human Resources Management. For the last eight years he has been an active community volunteer within the Eden / Merimbula area, these roles have included volunteer work at 2SEA FM as a radio presenter and committee member.

From 2010 - 2012 Jesse was an active volunteer for the Marine Rescue - Merimbula as a radio operator. He has also worked with the Bega Valley Shire Council Workplace Diversity Traineeship, Work Ability Bega and is currently a Student Member of the Australian Human Resources Institute.

Due to rising costs in tuition, text books and adaptive technologies this scholarship will allow him to purchase the necessary resources to successfully complete his degree and dreams in becoming a Human Resources Management professional.

Phillip Geoffrey Martin

Phillip is studying a Bachelor of commerce (management) in Bega. He was employed as a marine tactical officer with a government agency and his role was to intercept, process and or rescue incoming asylum seekers at sea. He was employed in this role for a period of six years on a rotating fly in fly out roster for 40 days on 40 days off, working in some very demanding conditions both in Australian waters and abroad.

With Phillip's degree, his goal is to ultimately help employees in any given workplace succeed both in work and life in general. His interest lies with workplace dynamics and culture as well as improving the workplace for all who are part of a team. Phillip's theory is we spend a significant amount of time at work, so we should enjoy it as best we can ' and wants to influence and initiate this theory and the degree is completed.

This scholarship will assist immensely with his study including making university time easier in a financial manner, but more importantly provide Phillip with confidence and support.

Xmas Hampers to

Each year your company provides support to local organisations that serve Christmas lunch to local people. Last year these organisations were:

Ricky's Place,
Anglican Parish
Sapphire Community Christmas Lunch

Sponsorship recipients 2017-2018

Animal Welfare League NSW	Pambula United Football Club
Bega Amateur Swimming Club	Quaama Mens Shed
Bega Branch CWA	Rotary Club of Bega
Bega Chamber of Commerce	Sapphire Coast Adult Swimming Club
Bega District Band	Sapphire Coast AFL
Bega Valley Wig Library	Sapphire Coast RSPCA V/B
Candelo Campdraft Association	SCLC Stage Band - Bega Public School
Cobargo Information Centre	Sapphire Coast Orchid Club
Eden Amateur Fishing Club Inc	Tathra Australia Football Club Inc
Footprint Theatre	Tathra Chamber of Commerce
Imlay House Pambula Auxiliary	Tura Beach Women's Bowling Club
Merimbula & District Arts Group	Wallagoot Lake Boat Club
Merimbula Imlay Historical Society	Wires Far South East
Pambula Business Chamber	
Pambula Men's Shed	
Pearls Place	
Playability Inc	

Donations to the Tathra Fires

The Tathra fires caused serious devastation in 2018 and your company contributed \$20,000 to the Bega Valley Shire - Mayoral Fund. However other Community Bank companies across the country also contributed. A total of \$43,000 was donated through the Mayoral Fund.

Dividends

The Directors are very cognisant of the way, in 2007 - 2008, our Shareholders stepped up to buy shares in our fledging company. They took a risk and with great management and huge acceptance by our community, the company has been very successful. Elsewhere in this report you will read about the ongoing success of the company and over the years we have been able to return healthy fully franked dividends back to our shareholders.

Last year we again returned a 5 cents fully franked dividend to our Shareholders.

Employees

Pambula and Community Development Limited employs 13 wonderful staff. They are the front line for us in the way in which we engage with the community and we are a success largely because of their contribution and the way in which they conduct themselves.

The other side of this contribution of course is the fact that, through the way they send their wages and salaries, they add value back into the community.

Last year over \$500,000 was paid to our staff for them to pay their mortgages (to the Community Bank of course) and to meet their other expenses, much of which is returned to the local community.

Continuing to 'build the community balance sheet'

This is the continuing mantra of all Bendigo Community Banks. It is all about returning to the community a portion of what the community has contributed to the company through doing banking business with us.

Every time a person or organisation banks with us 50% of the gross profit comes back to the company. Once our staff have been paid and we have covered our rent and other expenses, then it is about building the community balance sheet.

Above you can see how we have done this during 2017 - 2018.

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
Community Engagement and Sponsorship
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 shareholder

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 & 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 and newsletter distributed by mail to shareholder

Director Profiles



Colin Robert Dunn **Chairman**

Occupation: Retired academic (RMIT University, Senior Lecturer (Business) 2000 - 2006)

Qualifications, experience and expertise: Bachelor of Commerce and Economics (University of Melbourne), Graduate Diploma Computers in Education (University of Canberra), Certified Practising Accountant.

Community Groups: President, Rotary Club of Pambula Member, Pambula Hospital Community Engagement Committee; Member, Bega Valley Council, Access and Equity Committee, Community Consultant Committee South East Health.



Lyndon Daryl Lewis **Deputy Chair / Public Officer**

Occupation: Semi Retired Business Owner

Qualifications, experience and expertise: Now a semi retired 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, music, sound recording (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 locally



Wayne Robert Matthews **Director**

Occupation: Caravan Park Manager

Qualifications, experience and expertise: I have run family businesses most of my working life. My last business was a large manufacturing business which employed 45 people. I have a long military career, involving both full and part time roles. The latter years in leadership roles.



Darryl Watts
Secretary

Occupation: Retired Business Executive
Qualifications, experience and expertise: 42 years business experience managing many diverse retail/service businesses. 20 years Woolworths Supermarkets as Regional Manager, owned and operated my own supermarket, Regional Manager David Distribution

Ltd, National Operation Manager, Harris Farm Markets, Victorian State Manager, Metcash Distributors (ITA), National Operations Manager for Campbell's Cash and Carry, Fellow Australian Institute Management, Distributors. Long term Director, Pambula & District Community Development Limited, Original member of the Steering Committee to establish a community bank in Pambula.



Russell John Fitzpatrick
Director

Occupation: Manager:
Qualifications, experience and expertise: Finance Manager, Bobbin Transport Pty Ltd, Elected councillor, Bega Valley Shire Council, Board Member, Southern NSW Health District, Board Member, Regional Development Australia, Far South Coast Region Life Member, Group 16 Rugby League and Merimbula/Pambula Junior Rugby League, President, Pambula Show Society.



Jan Southcott
Director

Occupation: Retired
Qualifications, experience and expertise: Employed as Customer Service Officer at the Commonwealth Bank prior to retirement. Worked at ATO as a Small Business consultant. NRMA - as a Customer Service consultant, Country support group officer, Facilitator/Trainer for Country network in NSW. Manager of Country Service Centre in Blue Mountains. Volunteered with Red Cross Blood Bank in ACT.

Volunteer with Campbell Paige with their Volunteer Home Visiting Service in Bega Valley. Member of Bega Rotary Club where I have held positions as Youth director, Club President and Assistant District Governor.



Jenny Symons
Treasurer

Occupation: Project Manager

Qualifications, experience and expertise: Currently a project manager, having previously held executive management positions for over two decades. She also has a decade of Board governance experience, including six years as Chair, and is a member of a state government governing council. She holds a Bachelors of Arts, Applied

Science and Commerce and is a graduate member of the Australian Institute of Company Directors. Government Boards. Board Chair, one Government Board. Bachelor of Arts, Bachelor of Applied Science and Bachelor of Commerce . Member of Australian Institute of Company Directors.



Garry Hetherington
Director

Occupation: Retired

Qualifications, experience and expertise: Grew up in Pambula, moved away for study and career, then returned home with his family in 1994 and has been actively engaged in the community since then. With three Degrees from the University of Sydney and a professional background in Engineering and Project has been in holiday and caravan parks. Together with his wife, Narelle, they are part of the pastoral team of the

new local church - Sapphire Life. Past volunteer and community work include; A committee member of Sapphire Coast Tourism, Director and Chair of Big4 Holiday Parks Pty Ltd, Director and Chair of Bega Valley Christian College, Director and Chair of Sapphire Coast Anglican College, member and Chair Sapphire Coast Aquatic Centre.



Gordon John Matthews
Director

Occupation: Sales and Finance Manager

Qualifications, experience and expertise: Sales and Finance at Bega Valley Motors for the past 10 Years. Have over 40 years' experience in the Motor industry and Dealer Principal 18 years. Currently the Second Vice District Governor for the Lions District 201N2 and have been a

member of the Lions organisation for the past 27 years

Resigned 22 November 2017

Pambula & District Community Development Limited

ABN: 27 128 796 458

Financial Statements

For the year ended

30 June 2018

Pambula & District Community Development Limited

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

Directors

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

Colin Robert Dunn

Chairman

Occupation: Retired academic

Qualifications, experience and expertise: Bachelor of Commerce and Economics, Trained Secondary Teachers Certificate (University of Melbourne), Grad. Dip. Commuters in Education (U. Canberra), Certified Practising Accountant (CPA). Retired academic (RMIT University, Senior Lecturer (Business) 2000-2008). President - Rotary Club of Pambula; Member - Pambula Hospital Community Engagement Committee; Member - Community Consultation Committee - South East Health; Member - Bega Shire Council Access and Inclusion Committee.

Special responsibilities: Chairman; Ex-officio on all committees

Interest in shares: Nil

Lyndon Daryl Lewis

Deputy Chairman

Occupation: Semi-retired and business owner

Qualifications, experience and expertise: Now semi retired as a business owner, he has held a number of senior management and director positions in fields ranging from transport, aluminium distribution & design, retail, electronics, recording, musical and manufacturing industries. His qualifications include electronic technology, marketing, music, sound recording (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.

Special responsibilities: Public Officer, HR Committee, Community Engagement Committee, Business Development Committee, Governance Committee.

Interest in shares: 5,001

Darryl Watts

Secretary

Occupation: Retired Business Executive

Qualifications, experience and expertise: 42 years business experience managing many diverse retail/ service businesses. 20 years Woolworths supermarkets (Regional Manager) owned and operated his own supermarket. Regional Manager Davids Distribution Ltd, National Operations Manager Harris Farm Markets, Victoria State Manager Metcash Dist (IGA) South Australian State Manager Metcash Dist (IGA). National Operation Manager Campbells Cash Carry, Fellow Australian Institute of Management, long term director Pambula and District Community Development Ltd. Original Member of steering committee to establish Pambula and District Community Bank. Current company Secretary.

Special responsibilities: Company Secretary, Chairman Governance Committee

Interest in shares: Nil

Jennifer Eleanor Symons

Treasurer

Occupation: Project Manager

Qualifications, experience and expertise: Jennifer is currently a Project Manager and is a board member of two government boards and the Chair of one government board. She holds a Bachelor of Arts, Applied Science and Commerce and is a Member of the Australian Institute of Company Directors.

Special responsibilities: Treasurer, HR Committee, Governance Committee

Interest in shares: Nil

Pambula & District Community Development Limited

Directors' Report

Directors (*continued*)

Wayne Robert Matthews

Director

Occupation: Caravan Park Manager

Qualifications, experience and expertise: Wayne has run family businesses most of his working life. His last business was a large manufacturing business which employed 45 people. He has a long military career involving both full and part time roles. The latter years was in leadership roles.

Special responsibilities: Chairperson of Business and Development Committee

Interest in shares: 6,001 outright 18,000 held by companies he has invested in

Russell John Fitzpatrick

Director

Occupation: Manager

Qualifications, experience and expertise: Finance Manager - Bobbin Transport Pty Ltd, Elected Bega Valley Shire Councillor, Board member Southern NSW Health District and Regional Development Australian Far South Coast, Life Member group 16 Rugby League and minor rugby league and President of the Pambula Show Society.

Special responsibilities: Nil

Interest in shares: Nil

Janice Faye Southcoat

Director

Occupation: Retired

Qualifications, experience and expertise: Employed as Customer Service officer at Commonwealth Bank prior to retirement. Worked at ATO as a Small Business consultant. NRMA - as Customer Service consultant. Country support group officer, Facilitator/Trainer for Country network in NSW. Manager of Country Service Centre in Blue Mountains. Volunteered with Red Cross Blood Bank in ACT. Volunteer with Campbell Page with their Volunteer Home Visiting Service in Bega Valley.

Member of Bega Rotary Club where she has held positions as youth Director. Club president & Assistant District Governor.

Special responsibilities: Chairperson of HR Committee, Community Engagement Committee

Interest in shares: Nil

Garry Bruce Hetherington

Director

Occupation: Retired

Qualifications, experience and expertise: Garry grew up in Pambula, moved away for study and career, then returned home with his family in 1994. He has been actively engaged in our community since then. He joined our board this year and brings a depth of experience in good board practice. Garry's professional background is engineering and project management, but for the last 23 years his business focus has been caravan and holiday parks. Garry is married to Narelle and has four adult sons. Garry & Narelle are part of the pastoral team of a new local church - Sapphire Life. They are also part-owners of Tathra Beachside. Garry has three degrees from the University of Sydney. Garry's past volunteer and community work include; Member of Sapphire Coast Tourism Committee, Director and Chair of BIG4 Holiday Parks Pty Ltd, Director and Chair of Bega Valley Christian College, Director and Chair of Sapphire Coast Anglican College, Member and Chair of Sapphire Aquatic Centre.

Special responsibilities: Chairperson of Community Engagement Committee

Interest in shares: Nil

Pambula & District Community Development Limited

Directors' Report

Directors (continued)

Gordon John Matthews

Director (Resigned 22 November 2017)

Occupation: Sales and Finance Manager

Qualifications, experience and expertise: Sales and Finance manager at Bega Valley Motors for the past 10 years. Gordon has 40 years experience in the motor industry and Dealer Principal for 18 years. He is currently the Second Vice District Governor of the Lions District 201 N2 and has been a member of the Lions organisation for the past 27 years.

Special responsibilities: HR 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.

Darryl has 42 years business experience managing many diverse retail/ service businesses. 20 years Woolworths supermarkets (Regional Manager) owned and operated his own supermarket. Regional Manager Davids Distribution Ltd, National Operations Manager Harris Farm Markets, Victoria State Manager Metcash Dist (IGA) South Australian State Manager Metcash Dist (IGA). National Operation Manager Campbells Cash Carry, Fellow Australian Institute of Management, long term director Pambula and District Community Development Ltd. Original Member of steering committee to establish Pambula and District Community Bank. Current company Secretary.

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 an 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 2018	Year ended 30 June 2017
\$	\$
219,470	167,327

Dividends	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	5	42,350

Significant changes in the state of affairs

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

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.

Pambula & District Community Development Limited

Directors' Report

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 and 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:

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Colin Robert Dunn	10	10
Wayne Robert Matthews	10	9
Darryl Watts	10	4
Jennifer Symons	10	7
Lyndon Daryl Lewis	10	10
Russell John Fitzpatrick	10	10
Janice Faye Southcoat	10	9
Garry Bruce Hetherington	10	8
Gordon John Matthews*	4	3

*(Resigned 22 November 2017)

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Pambula, New South Wales on 19 September 2018.



Colin Robert Dunn, 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 2018, 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: 19 September 2018



David Hutchings
Lead Auditor

Pambula & District Community Development Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	1,648,744	1,525,586
Employee benefits expense		(829,264)	(779,607)
Charitable donations, sponsorship, advertising and promotion		(72,269)	(59,323)
Occupancy and associated costs		(136,374)	(138,943)
Systems costs		(52,971)	(53,781)
Depreciation and amortisation expense	5	(58,079)	(59,571)
Finance costs	5	-	(1,067)
General administration expenses		(193,170)	(198,596)
Profit before income tax expense		306,617	234,698
Income tax expense	6	(87,147)	(67,371)
Profit after income tax expense		219,470	167,327
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		219,470	167,327
Earnings per share		¢	¢
Basic earnings per share	21	25.91	19.76

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited

Balance Sheet

as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	796,602	562,533
Trade and other receivables	8	163,243	163,342
Total current assets		959,845	725,875
Non-current assets			
Property, plant and equipment	10	391,144	424,317
Intangible assets	11	23,377	47,406
Deferred tax asset	12	16,968	7,738
Total non-current assets		431,489	479,461
Total assets		1,391,334	1,205,336
LIABILITIES			
Current liabilities			
Trade and other payables	13	79,101	92,392
Current tax liabilities	12	37,335	37,396
Provisions	14	78,943	66,153
Total current liabilities		195,379	195,941
Non-current liabilities			
Provisions	14	28,754	19,314
Total non-current liabilities		28,754	19,314
Total liabilities		224,133	215,255
Net assets		1,167,201	990,081
EQUITY			
Issued capital	15	811,715	811,715
Retained earnings	16	355,486	178,366
Total equity		1,167,201	990,081

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited

Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		811,715	36,449	848,164
Total comprehensive income for the year		-	167,327	167,327
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(25,410)	(25,410)
Balance at 30 June 2017		811,715	178,366	990,081
Balance at 1 July 2017		811,715	178,366	990,081
Total comprehensive income for the year		-	219,470	219,470
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(42,350)	(42,350)
Balance at 30 June 2018		811,715	355,486	1,167,201

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited

Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		1,797,408	1,678,448
Payments to suppliers and employees		(1,410,008)	(1,377,053)
Interest received		5,623	3,035
Interest paid		-	(1,067)
Income taxes paid		(96,438)	(53,246)
Net cash provided by operating activities	17	296,585	250,117
Cash flows from investing activities			
Payments for property, plant and equipment		(877)	-
Payments for intangible assets		(19,289)	(19,289)
Net cash used in investing activities		(20,166)	(19,289)
Cash flows from financing activities			
Repayment of borrowings		-	(28,470)
Dividends paid	21	(42,350)	(25,410)
Net cash used in financing activities		(42,350)	(53,880)
Net increase in cash held		234,069	176,948
Cash and cash equivalents at the beginning of the financial year		562,533	385,585
Cash and cash equivalents at the end of the financial year	7(a)	796,602	562,533

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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 Standards Board (AASB) 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 which 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

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

a) Basis of preparation *(continued)*

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$115,295, on an undiscounted basis (see Note 18).

No significant impact is expected for the company's finance leases.

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 operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** 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.

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 and assistance in relation to:

- 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.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

b) Revenue

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

Revenue calculation

The franchise agreement 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.

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.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

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.

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.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.



Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

b) Revenue (*continued*)

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.

Ability to change financial return (*continued*)

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.

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 it is payable (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 entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

c) Income tax *(continued)*

Deferred tax (continued)

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 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 gain from a bargain purchase.

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

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	5 - 15	years
- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	years

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

h) Intangibles

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

The 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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

Financial liabilities include borrowings, trade and other payables and 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.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 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.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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 carried-forward 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 entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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



Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	1,389,539	1,252,196
- services commissions	52,930	74,995
- fee income	120,005	114,056
- market development fund	60,000	62,292
Total revenue from operating activities	<u>1,622,474</u>	<u>1,503,539</u>
Non-operating activities:		
- interest received	5,623	3,035
- other revenue	20,647	19,012
Total revenue from non-operating activities	<u>26,270</u>	<u>22,047</u>
Total revenues from ordinary activities	<u><u>1,648,744</u></u>	<u><u>1,525,586</u></u>

Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	6,249	7,735
- leasehold improvements	17,533	17,539
- motor vehicle	10,268	10,268
Amortisation of non-current assets:		
- franchise agreement	3,577	3,940
- franchise renewal fee	11,452	-
- establishment fee	9,000	20,089
	<u>58,079</u>	<u>59,571</u>
Finance costs:		
- interest paid	<u>-</u>	<u>1,067</u>
Bad debts	<u>17,092</u>	<u>6,629</u>

Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	96,377	75,697
- Movement in deferred tax	(9,230)	(8,326)
	<u>87,147</u>	<u>67,371</u>

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

Pambula & District Community Development Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 6. Income tax expense (continued)	2018	2017
	\$	\$
Operating profit	306,617	234,698
Prima facie tax on loss from ordinary activities at 27.5% (2017: 27.5%)	84,319	64,542
Add tax effect of:		
- non-deductible expenses	2,828	2,829
- timing difference expenses	9,230	8,326
	<u>96,377</u>	<u>75,697</u>
Movement in deferred tax	(9,230)	(8,326)
	<u>87,147</u>	<u>67,371</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	344,242	475,159
Term deposits	452,360	87,374
	<u>796,602</u>	<u>562,533</u>

Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand	344,242	475,159
Term deposits	452,360	87,374
	<u>796,602</u>	<u>562,533</u>

Note 8. Trade and other receivables

Trade receivables	147,933	139,032
less provision for doubtful debts	(14,580)	-
Prepayments	12,813	18,060
Other receivables and accruals	17,077	6,250
	<u>163,243</u>	<u>163,342</u>

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Trade and other receivables (continued)

8a Debtors' ageing

The table below sets out the company's trade and other receivables exposed to credit risk by age. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The company considers that there is evidence of impairment if any of the following indicators are present:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter formal insolvency administration or financial reorganisation
- Default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within general expenses.

The balances of receivables that remain within initial trade terms are considered to be high credit quality.

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
	\$	\$	< 30 days	31-60 days	> 60 days	\$
2018						
Trade receivables	18,860	-	2,455	1,115	710	14,580
Total	4,280	-	2,455	1,115	710	14,580
2017						
Trade receivables	11,430	-	2,445	2,115	6,870	-
Total	11,430	-	2,445	2,115	6,870	-

Note 9. Microfinance loan receivable

	2018	2017
	\$	\$
Micro-credit loans receivable	16,241	5,416
Snow foundation contribution	(10,000)	(10,000)
Lighthouse Innovation Regional Micro-credit Program account balance	3,659	14,494
	9,900	9,910

Pambula and District Community Development Limited (PADCDL), the Snow Foundation and the Bega Valley Shire Council (BCVS) have agreed to commit \$10,000 to a Micro-Credit loans program. The Snow foundation and Bendigo Bank funds are to be used for loans and the BVSC funds for administration.

PADCDL have agreed to provide \$10,000 for the purpose of providing micro-credit loans to eligible applicants. To establish a Bendigo Bank bank account in the name of *Lighthouse Innovation Regional Microcredit Program* and funds available for lending transferred into that account and to participate in selecting and supporting loan recipients in a way agreed by both parties.

The agreement between PADCDL and the Snow Foundation is on an indefinite term

Pambula & District Community Development Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Property, plant and equipment	2018	2017
	\$	\$
Leasehold improvements		
At cost	450,034	450,034
Less accumulated depreciation	(118,052)	(100,519)
	<u>331,982</u>	<u>349,515</u>
Plant and equipment		
At cost	113,289	112,412
Less accumulated depreciation	(63,605)	(57,356)
	<u>49,684</u>	<u>55,056</u>
Motor vehicles		
At cost	51,338	51,338
Less accumulated depreciation	(41,860)	(31,592)
	<u>9,478</u>	<u>19,746</u>
Total written down amount	<u>391,144</u>	<u>424,317</u>
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	349,515	367,054
Additions	-	-
Disposals	-	-
Less: depreciation expense	(17,533)	(17,539)
Carrying amount at end	<u>331,982</u>	<u>349,515</u>
Plant and equipment		
Carrying amount at beginning	55,056	62,791
Additions	877	-
Disposals	-	-
Less: depreciation expense	(6,249)	(7,735)
Carrying amount at end	<u>49,684</u>	<u>55,056</u>
Motor vehicles		
Carrying amount at beginning	19,746	30,014
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,268)	(10,268)
Carrying amount at end	<u>9,478</u>	<u>19,746</u>
Total written down amount	<u>391,144</u>	<u>424,317</u>

Pambula & District Community Development Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Intangible assets	2018	2017
	\$	\$
Franchise fee		
At cost	27,887	27,887
Less: accumulated amortisation	(24,743)	(21,166)
	<u>3,144</u>	<u>6,721</u>
Establishment fee		
At cost	144,999	144,999
Less: accumulated amortisation	(129,538)	(120,538)
	<u>15,461</u>	<u>24,461</u>
Renewal processing fee		
At cost	57,260	57,260
Less: accumulated amortisation	(52,488)	(41,036)
	<u>4,772</u>	<u>16,224</u>
Total written down amount	<u>23,377</u>	<u>47,406</u>

Note 12. Tax

Current:

Income tax payable	<u>37,335</u>	<u>37,396</u>
--------------------	---------------	---------------

Non-Current:

Deferred tax assets		
- accruals	2,098	440
- employee provisions	29,618	23,503
	<u>31,716</u>	<u>23,943</u>
Deferred tax liability		
- accruals	229	229
- property plant and equipment	14,519	15,976
	<u>14,748</u>	<u>16,205</u>
Net deferred tax asset	<u>16,968</u>	<u>7,738</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(9,230)</u>	<u>(8,327)</u>

Note 13. Trade and other payables

Current:

Trade creditors	2,521	27,755
Other creditors and accruals	76,580	64,637
	<u>79,101</u>	<u>92,392</u>

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions	2018	2017
	\$	\$
Current:		
Provision for annual leave	78,943	66,153
	<u>78,943</u>	<u>66,153</u>
Non-Current:		
Provision for long service leave	<u>28,754</u>	<u>19,314</u>
Note 15. Issued capital		
847,009 ordinary shares fully paid (2017: 847,009)	847,009	847,009
Less: equity raising expenses	(35,294)	(35,294)
	<u>811,715</u>	<u>811,715</u>

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*.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Issued capital (*continued*)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 231. As at the date of this report, the company had 235 shareholders.

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

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

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

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

Note 16. Retained earnings	2018	2017
	\$	\$
Balance at the beginning of the financial year	178,366	36,449
Net profit from ordinary activities after income tax	219,470	167,327
Dividends provided for and or paid	(42,350)	(25,410)
Balance at the end of the financial year	<u>355,486</u>	<u>178,366</u>

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Statement of cash flows	2018	2017
	\$	\$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	219,470	167,327
Non cash items:		
- depreciation	34,050	35,542
- amortisation	24,029	24,029
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(14,481)	(10,098)
- (increase)/decrease in other assets	(9,230)	(7,738)
- increase/(decrease) in payables	20,578	(10,360)
- increase/(decrease) in provisions	22,230	29,552
- increase/(decrease) in current tax liabilities	(61)	21,863
Net cash flows provided by operating activities	<u>296,585</u>	<u>250,117</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	61,102	80,745
- between 12 months and 5 years	54,193	113,419
- greater than 5 years	-	-
	<u>115,295</u>	<u>194,164</u>

The Pambula 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.

The Bega 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 1 August 2020 and has two 5 year extension options available.

Note 19. Auditor's remuneration

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

- audit and review services	4,400	4,200
- share registry services	3,513	3,522
- non audit services	2,860	2,495
	<u>10,773</u>	<u>10,217</u>

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Director and related party disclosures

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

Colin Robert Dunn
 Wayne Robert Matthews
 Darryl Watts
 Jennifer Symons
 Lyndon Daryl Lewis
 Russell John Fitzpatrick
 Janice Faye Southcoat
 Garry Bruce Hetherington
 Gordon John Matthews (*Resigned 22 November 2017*)

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:	2018 \$	2017 \$
Gordon Matthews provides mechanical services for the company's motor vehicles	500	800

Directors Shareholdings	2018	2017
Colin Robert Dunn	-	-
Wayne Robert Matthews	18,000	11,001
Darryl Watts	-	1
Jennifer Symons	-	-
Lyndon Daryl Lewis	5,001	5,000
Russell John Fitzpatrick	-	-
Janice Faye Southcoat	-	1
Garry Bruce Hetherington	-	-
Gordon John Matthews (<i>Resigned 22 November 2017</i>)	-	-

Pambula & District Community Development Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Dividends paid or provided	2018	2017
	\$	\$
a. Dividends paid during the year		
Current year dividend		
100% (2017: 100%) franked dividend - 5 cents (2017: 3 cents) per share	<u>42,350</u>	<u>25,410</u>
The tax rate at which dividends have been franked is 27.5% (2017: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	220,423	140,047
- franking credits that will arise from payment of income tax as at the end of the financial year	37,335	37,396
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
	<u>257,758</u>	<u>177,443</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>257,758</u>	<u>177,443</u>

Note 22. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.
There are no executives within the company whose remuneration is required to be disclosed.

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	219,470	167,327
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	847,009	847,009

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.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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 and Bega, 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

172 Carp St
Bega NSW 2550

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	343,907	474,624	452,360	87,374	-	-	-	-	335	535	0.80	0.63
Receivables	-	-	-	-	-	-	-	-	147,933	139,032	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	Nil	5.57
Payables	-	-	-	-	-	-	-	-	2,521	27,755	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 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	7,963	5,620
Decrease in interest rate by 1%	(7,963)	(5,620)
Change in equity		
Increase in interest rate by 1%	7,963	5,620
Decrease in interest rate by 1%	(7,963)	(5,620)

Pambula & District Community Development Limited

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Colin Robert Dunn, Chairman

Signed on the 19th of September 2018.

Independent auditor's report to the members of Pambula & District Community Development Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Pambula & District Community Development Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

Pambula & District Community Development Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 19 September 2018



David Hutchings
Lead Auditor

Taxation

Business Services

Community Banking

Audit

Share Registry

Your partners
in success



61 Bull Street
Bendigo VIC 3550
PO Box 454
Bendigo VIC 3552

P 03 5443 0344
F 03 5443 5304
E afs@afsbendigo.com.au



afsbendigo.com.au