



**Pambula & District
Community Development Limited**
(Franchisee Pambula Community Bendigo Bank)
ABN 27 128 796 458

Annual Report 2012

Annual General Meeting
Wednesday 28th November, 2012
7.00pm

Garden Room
Pambula Merimbula Golf Club

Notice of Annual General Meeting
Pambula & District Community Development Ltd
ABN: 27 128 796 458

To be held at 7.00pm on Wednesday 28th November, 2012
Garden Room, Pambula Merimbula Golf Club

Ordinary Business

1. Receipt of Annual Report

To receive the Company's Financial Report, the Directors' Report, Auditor's Report, Chairman's Report, Manager's Report and report from BABL Regional Manager for the year ended 30 June 2012.

2. Election of Directors

To consider, and if thought fit, to pass the following resolutions as an ordinary resolution:

- a) That Colin Dunn be elected as a director of the board.
- b) That Janet Brandon be appointed as a director of the board.

3. Appointment of Auditor

Following due diligence checks by the board relative to our current auditors, the board would like the meeting to consider and pass the following resolution as an ordinary resolution:

“That the reappointment of Mr. David Hutchings, of AFS Partners, as auditor of the Company be re-confirmed.”

Attending the meeting

All shareholders may attend the Annual General Meeting.

Joint holders: In the case of joint shareholders, all holders may attend the meeting. If only one holder attends (including by proxy), that shareholder may vote at the meeting as if that holder were solely entitled to the shares. If more than one joint holder is present (including by proxy), the joint holder whose name appears first in the register may vote.

Corporate Shareholder: A corporate shareholder may appoint one or more persons to act as its representative under section 250D of the Corporations Act, but only one representative may exercise the corporate shareholder's powers at any one time. The Company requires written evidence of a representative's appointment to be given to the Company before the Meeting.

Proxy: If you are unable to attend the meeting, you are entitled to appoint a proxy to attend and vote. See the attached Proxy Form for information on appointing a proxy.

Voting rights

Each shareholder is entitled to **one** vote.

For the purposes of voting at the Meeting, shares will be taken to be held by the persons who are registered as members as at 5.00pm Wednesday 28/11/12.

By order of the board,



Darryl Watts
Company Secretary
26/10/12

Explanatory Notes

The following information has been included to assist you in making an informed decision about the resolutions proposed at the meeting.

Agenda item 2: Election of Directors

Re-election of directors retiring by rotation

- a) **Colin Dunn** retires by rotation in accordance with the company's constitution, and being eligible offers himself for election to the board. Colin is currently the Company Treasurer and Chairman of the Business Development Committee. The board strongly endorses the election of Colin Dunn to the board.

Election of new Director

- b) **Janet Brandon** having been appointed by the board since the last AGM as a provisional director, subject to normal directorship checks, retires in accordance with the constitution of the company, and being eligible offers herself for election to the board. Janet brings a wealth of corporate expertise to the board. She is a Past President of Rotary and current Treasurer for the Sapphire Coast Anglican Parish. The board strongly endorses the election of Janet Brandon.

Current Board of Directors

Wayne Matthews (Chairman)
Colin Dunn (Treasurer)
Darryl Watts (Company Secretary)
Lyndon Lewis (Public Officer / Shares)
Russell Fitzpatrick
Janet Brandon

Secretarial Support

Kerry Lewis (Minute Secretary)

Agenda Item 3: Election of Auditor

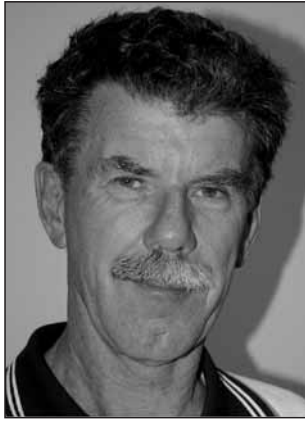
Item 3 is an ordinary resolution to seek your approval for the continuation of Mr. David Hutchings of Andrew, Frewin & Stewart as the Company's auditor.

The Board has received David Hutchings's consent to act, in response to board request.

Additional Item - Sponsorship Presentations

Following completion of AGM business there will be a presentation of sponsorship cheques to those successful community groups applying for sponsorship.

Following the completion of our AGM, the directors invite all shareholders and visitors to join us in some light refreshments.



Chairman's Address

Good evening and welcome shareholders, guests and fellow directors to our 4th Annual General Meeting.

My name is Wayne Matthews. I have been a Director of the Pambula Community Development Limited since its inception and it is an honour to address you tonight as the Chairman of one of the best performing community banks in Australia.

My address will cover the company's achievements for the past 12 months and our aspirations for the next 12 months and beyond. Our branch manager Kim will cover the day to day running of the branch and give an outline of where we spent our Market Development Fund (MDF) – the funds available for sponsorship.

Our achievements for this year

Investment in the Community

During the last 12 months of our fourth year of operation the bank has invested over \$40,000.00 into our local community. This brings the total since opening to \$100,000.00 in sponsorships distributed from our MDF.

Market Development Fund

- This Fund was established by Bendigo Adelaide Bank Limited (BABL) to help community banks grow. The fund grows in line with the volume of deposits and loans and has a ceiling of \$50,000 per year. We reached this ceiling in our third year of operation!!
- To comply with the franchise agreement the bank must spend the MDF on growing the business. The main way we do this is through community sponsorships, for example providing money to the local football club to purchase jumpers.

Profit last year

- My next achievement to announce is the fact that last year the bank made a profit in excess of \$80,000. You can see this in the accounts enclosed in the Annual report. As part of our franchise agreement with BABL we must distribute up to 20% of the bank's profit back to the shareholders as dividends with the remainder put into community projects.
- We achieved a great result in 2011-2012 with a better than budget outcome. The bank has made a profit most months and where a profit was not made the causal factor was usually higher levels of community sponsorship. This year we are aiming to distribute our sponsorship funds more evenly throughout the year. Reaching this level of profit last year was a great achievement particularly with margins on borrowings being so tight.
- Kim and her team have been instrumental in achieving this great outcome.

Bank of year

- On top of this great financial outcome we were one of the few branches in our Region to get a pass rate on the mystery shopper survey.
- Our bank was also rated the best regional bank award.

What's happening this year?

Dividends

- It was our plan to pay a dividend last year but the Board opted to wait until the bank was in a better financial position before rewarding our shareholders. The bank has recently posted a very healthy profit.

- So I am very pleased to announce tonight that the Bank will be paying a dividend of 5 cents per share unfranked this calendar year. This is just reward for the faith and patience of our shareholders.

Share Trading

- Over the next few months the bank will be moving away from trading our shares through the 'Notice Board' system, to the Low Volume Market or LVM. If you need more information you need to go to the Community Bank website and details are in the recently published Spring edition of the Newsletter.

Big Ideas Forum

- We are intending to hold a forum in the new year at which you will be invited to contribute ideas for projects in which the bank could be involved. You will find out more about this campaign in our newsletters and we will be looking for our shareholder and community members to help drive this initiative.

Expansion

- Given the success of the Bank (we believe we have the formula right) the Board is discussing ways in which it can continue to grow the business. BABL is looking at growing and expanding in NSW/ACT and they are highlighting our area as a prime target area. We are exploring with BABL the option of establishing ATM's or sub agencies in a range of locations.

Directors

- We are due to welcome a new Director this year and you will be asked to support Janet Brandon as a new Bank Board member. I heartily support her as a new recruit. Many of you know her as a strong community member.
- If any of you are interested in joining the Board of the Bank please see our secretary for a nomination form. It is a most rewarding community activity.
- From my own point of view I have enjoyed the last 12 months and I will be nominating for the position of Chairman at our next board meeting.

In conclusion

I would like to thank a number of people.

- Firstly Kim and her team at our community bank branch. The professionalism shown by the whole team is at the highest level. The whole team has put many unpaid hours in to grow the business and the results across the spectrum speak for themselves.
- Our Minute Secretary Kerry Lewis has done an excellent job throughout the year. It is worth noting that Kerry's role is also an unpaid position.
- Our Regional Manager Dion was replaced during the year by John Blue. John has been has taken time to settle into the role but has been a great help to the board.
- And to you the shareholders. Without your support our community would not have banking services back.
- To my fellow directors I thank you for your dedication and passion to your community which sets a great example for others to follow.
- To our many sponsorship recipients. We are really pleased to have been able to support you over the past year and have appreciated your support of us.
- Last but not least to the spouses of the branch staff and directors who support them in their various roles, a very big thanks to all.



Wayne Matthews
Chairman



Branch Manager's Address

It is really hard to believe our fourth Birthday is approaching, the past four years have certainly gone by extremely fast. We have had an exceptional year at our **Community Bank**[®] and the level of business being generated seems to go from strength to strength.

We have enjoyed many positive results over the past 12 months. Our business levels now stand at over \$74 million which is a fairly even split between lending and deposits. Our customer base continues to grow at a steady level and we are welcoming new customers on a daily basis. I truly believe a large part of our success lies in the excellent customer service which is delivered by all the staff on a daily basis and the professionalism which is evident in every instance.

As the Branch Manager, I take great personal pleasure in the financial results over the past 12 months. Not only is it an excellent achievement for us to generate such a positive profitable result in the time frame that we have, it is evident that the Pambula & District **Community Bank**[®] Branch is truly heading in the direction envisioned by all involved. The most pleasing result is the level of investment we generate back to our local community. To date over \$100,000 has been reinvested into our community since we opened for trading and this amount is certainly set to increase rapidly as we progress into the future. At least another \$20,000 will be allocated before our Annual General Meeting, taking the total to over \$130,000.

Pambula & District **Community Bank**[®] Branch was awarded the 'Branch of the Year Award' for 2011/2012 for the region we are part of, being South East NSW/ACT and Central West. There are 11 **Community Bank**[®] branches in our regional area and for us to be the recipient of this award is a reflection of the dedication and hard work from our team as a whole. To Jenny, Belinda, Barbara and Tanya, we are the "A" team and we all work so well together as a team, so this award is for you. Teamwork makes the dream work in every way, and our positive attributes and passion we all demonstrate for the Pambula & District **Community Bank**[®] Branch is reflected accordingly. We also won a General Insurance award this year, which is certainly another award to be proud of.

The Board of Directors of Pambula & District Community Development Limited and their families also deserve a huge thank you and congratulations for such positive outcomes. Together they work tirelessly behind the scenes of the branch to make it a success and without their efforts this **Community Bank**[®] branch would not be in existence. The community does and will always come first and the Board always strives to build a better and stronger community. The diverse business knowledge and experience within the Board ranks, ensures an extremely well run company with a bright vision for the future.

To you our shareholders, it is because of you all that we are here tonight. You wanted banking services returned to your town and that is what you achieved. You all must feel so proud to be involved in the success of the **Community Bank**[®] branch, without you it would not be possible. Feel free to keep spreading the good word about our branch, we want to see the business continue to grow to benefit everyone involved.

In closing, I would also like to thank all the staff at Bendigo and Adelaide Bank for their continued support and guidance to us throughout the year, particularly our Regional Manager John Blue and his team at the Canberra office. They really are a wonderful group of people who are an asset to Bendigo and Adelaide Bank Limited.

I wish you all a Happy Christmas and prosperous New Year and as I mentioned last year, I look forward to returning next year with even greater news!!!

Kim Stevenson

A handwritten signature in black ink, appearing to read 'Kim Stevenson', with a stylized, cursive script.

Branch Manager



Regional Manager's Address

Thank you for inviting me to attend the Annual General Meeting of Pambula & Districts Community Development Limited.

Thanks to your support as shareholders the **Community Bank**[®] network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**[®] model was first launched in 1998, in partnership with the people from the small Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank**[®] model has become so much more.

In the past financial year a further 20 **Community Bank**[®] branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**[®] sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**[®] network had achieved the following:

- Returns to community \$80 million
- **Community Bank**[®] branches 295
- **Community Bank**[®] branch staff 1,292
- **Community Bank**[®] branch directors 1,905
- Volume footings \$22.05 billion
- Customers 615,523
- Shareholders 71,489
- Dividends paid to shareholders \$24.44 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**[®] network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**[®] model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**° companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**° company has a committed and strong partner and over the last financial year our company has also seen much success.

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank**° partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**° margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**° partners.

We've been working with the **Community Bank**° network to take action to reduce this imbalance (which is in favour of the **Community Bank**° partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**° shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**° shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

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

John Blue

Regional Manager
ACT & South East NSW

How to complete the Proxy Form

1 Your name and address

This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. **Please note, you cannot change ownership of your shares using this form.**

2 Appointment of a proxy

A member entitled to attend and vote at the Meeting may appoint one proxy. A proxy need not be a member of the Company.

3 Identity of proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, the Chairman of the Meeting will act as your proxy.

4 Voting instructions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

5 Signing instructions

The Proxy Form must be signed in the spaces provided.

Individual: If the holding is in one name, the holder must sign.

Joint Holding: If the holding is in more than one name, any one holder may sign.

Power of Attorney: To sign under power of attorney, you must have already lodged this document with the Company or attach a certified copy of the power of attorney to this form when you return it.

Companies: If the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (under section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the Company is to attend the meeting, the appropriate "Certificate of Appointment of Corporate Representative" must be produced before admission to the meeting.

Lodging instructions

This Proxy Form (and any power of attorney under which it is signed) must be received by the Company not later than 48 hours before the meeting (ie by 5.00 p.m. on 24/11/12. Any Proxy Form received after that time will not be valid for the scheduled meeting. Documents may be lodged in any of the following ways.

- By post or hand delivery to the Company's registered office at 55a Toalla Street, Pambula NSW 2549
- By facsimile to 02 6495 7782

Proxy Form

Pambula & District Community Development Ltd

ABN 27 128 796 458
November 25th, 2009

All correspondence to

Pambula & District Community Development Ltd
PO Box 251, Pambula, 2549, NSW
Enquiries: 02 6495 6382
Fax: 02 6495 7782

Member:

Address:

State:

Postcode:

Mark this box with an 'x' if you have made any changes to your address details

Appointment of proxy

I/We being a member/s of Pambula & District Community Development Limited and entitled to attend and vote appoint the person named below or, if no person is named below, the Chairman of the Meeting as my/our proxy to vote in accordance with directions set out below (with a discretion as to any business not referred to below) or, if no directions are given, as my/our proxy sees fit, at the Annual General Meeting of the Company to be held at [location], [town] on [date] at [time] and at any adjournment of that meeting.

the Chairman of the Meeting (mark with an 'X')

OR

Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

Voting directions to your proxy – please mark

to indicate your directions

Ordinary Business

Item 1. Receipt of financial report/ Directors reports

Item 2. Confirmation of existing directors

Item 3. Confirmation of auditor

	For	Against	Abstain*
Item 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in working out the required majority on a poll.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary



Pambula & District Community Development Limited

Financial Statements

as at

30 June 2012

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

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

Directors

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

Wayne Robert Matthews

Chairman
Age: 62
Occupation: Semi retired business owner
Experience & Expertise: Director of a number of companies, business developer.

Colin Dunn

Treasurer
Age: 67
Occupation: Retired
Experience & Expertise: CPA, Economics Degree, Business Academic and Rotary President 2010/2011.

Lyndon Lewis

Director
Age: 62
Occupation: Semi retired business owner & Sales executive
Experience & Expertise: Sales/ Business management, director LKL holding pty ltd, founder & operator of :Sapphire Coast Rock & Roll Festival, musical director, member of Rotary

Russell Fitzpatrick

Director
Age: 55
Occupation: Manager - Transport
Experience & Expertise: Ex bank industry executive, own business owner, current Bega Valley Shire Councillor, Chairman Pambula Hospital Advisory Board, Chairman Pambula Show Society, Chairman group 16 Rugby League, life member minor rugby league, Current NSW Hospital, Board Member Southern NSW Health, Board Member Regional Development Aust Far South Coast.

Darryl Watts

Director/Secretary (*Reappointed 23 November 2011*)
Age: 64
Occupation: Retired
Experience & Expertise: Retired business executive with over 32 years experience. Worked for a number of major companies including Harris Farm Markets, Woolworths and a divisional GM for Metcash Distribution. Past fellow of the Australian institute of management, past member of IGA state and national Boards.

Janet Brandon

Director (*Appointed 29 February 2012*)
Age: 57
Occupation: Retired
Ex-Public Servant Executive, management experience in a number of community not-for-profit organisations. Current Treasurer of Sapphire Coast Anglican Parish, past President of Rotary Club of Pambula, Past Secretary of Pambula Aquatic Centre Inc. Bachelor of Arts (University of Sydney)

Peter Julian Spinks

Director (*Resigned 23 November 2011*)
Age: 43
Occupation: Self Employed
Experience & Expertise: Owner/operator local printing shop, past Rotarian, past Sapphire Rock Festival committee member, inaugural Community bank committee member, current Chairman

Robin Barry Savage

Director (*Resigned 23 November 2011*)
Age: 68
Occupation: Retired
Experience & Expertise: Advanced Diploma (Horticultural) - Sydney University

Alicia McDowell

Director (*Resigned 30 June 2012*)
Age: 39
Occupation: Home Duties
Experience & Expertise: BA - Psychology, Dip Community Services, Pambula Playground committee, PAPPA, Dept of Senate website manager and case officer - Family community services

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

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

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

Company Secretary

Darryl Watts was appointed the Company Secretary at incorporation on 6 December 2007. Darryl has many years of management experience across the total management range including experience working within some major companies. He has also held past membership of IGA state and national boards and a former Fellow of the Australian Institute of Management. Darryl resigned as a director on 30 November 2010 however he is still carrying on the duties of the Company Secretary. Darryl Watts was reappointed Director on the 23 November 2011.

Principal Activities

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

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

Operating Results

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

Year ended 30 June 2012	Year ended 30 June 2011
\$	\$
58,686	(71,182)

Remuneration Report

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

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

Dividends

At the company's Board meeting held on 22 August 2012 the directors' passed a motion to pay an unfranked dividend of 5 cents per share with the ex dividend date 22 August 2012 and the record date 28 August 2012. The dividend will be paid on the 30 November 2012.

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.

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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

Indemnification and Insurance of Directors' and Officers

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

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

Directors' Meetings

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

	Number of Board Meetings	
	<u>Eligible to attend</u>	<u>Number attended</u>
Wayne Robert Matthews	11	11
Colin Dunn	11	10
Lyndon Lewis	11	11
Russell Fitzpatrick	11	6
Darryl Watts (<i>Reappointed 23 November 2011</i>)	11	11
Janet Brandon (<i>Appointed 29 February 2012</i>)	4	4
Peter Julian Spinks (<i>Resigned 28 September 2011</i>)	2	2
Robin Barry Savage (<i>Resigned 23 November 2011</i>)	5	4
Alicia McDowell (<i>Resigned 30 June 2012</i>)	11	8

The Board has 3 sub-committees, Sponsorship/Governance, Human Resources, Audit/Business Development. All sub-committees have elected Directors who meet on a regular, or as needs, basis and present reports/recommendations to the monthly Board meetings where required.

Non Audit Services

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

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

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the board of directors at Pambula, New South Wales on 7 September 2012.



Wayne Robert Matthews, Chairman



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

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings', is written over a light blue horizontal line.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 7 September 2012

Pambula & District Community Development Limited
ABN 27 128 796 458
Statement of Comprehensive Income
for the Year Ended 30 June 2012

	<u>Notes</u>	2012 \$	2011 \$
Revenues from ordinary activities	4	646,371	445,790
Employee benefits expense		(297,377)	(287,100)
Charitable donations, sponsorship, advertising and promotion		(51,440)	(40,715)
Occupancy and associated costs		(42,464)	(47,333)
Systems costs		(32,896)	(42,698)
Depreciation and amortisation expense	5	(37,713)	(40,152)
Finance costs	5	(797)	-
General administration expenses		(94,387)	(83,077)
		<hr/>	<hr/>
Profit/(loss) before income tax (expense)/credit		89,297	(95,285)
Income tax (expense)/credit	6	(30,611)	24,103
		<hr/>	<hr/>
Profit/(loss) after income tax (expense)/credit		58,686	(71,182)
		<hr/>	<hr/>
Total comprehensive income for the year		58,686	(71,182)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	23	7.66	(9.29)

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
ABN 27 128 796 458
Balance Sheet
as at 30 June 2012

	<u>Notes</u>	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	167,502	55,299
Trade and other receivables	8	60,870	35,405
Total Current Assets		<u>228,372</u>	<u>90,704</u>
Non-Current Assets			
Property, plant and equipment	9	147,876	141,617
Intangible assets	10	31,167	53,167
Deferred tax assets	11	132,687	163,298
Total Non-Current Assets		<u>311,730</u>	<u>358,082</u>
Total Assets		<u>540,102</u>	<u>448,786</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	29,226	19,893
Borrowings	13	6,924	-
Provisions	14	19,321	20,604
Total Current Liabilities		<u>55,471</u>	<u>40,497</u>
Non-Current Liabilities			
Borrowings	13	13,247	-
Provisions	14	10,532	6,123
Total Non-Current Liabilities		<u>23,779</u>	<u>6,123</u>
Total Liabilities		<u>79,250</u>	<u>46,620</u>
Net Assets		<u>460,852</u>	<u>402,166</u>
Equity			
Issued capital	15	811,715	811,715
Accumulated losses	16	(350,863)	(409,549)
Total Equity		<u>460,852</u>	<u>402,166</u>

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
ABN 27 128 796 458
Statement of Changes in Equity
for the Year Ended 30 June 2012

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2010	<u>811,715</u>	<u>(338,367)</u>	<u>473,348</u>
Total comprehensive income for the year	<u>-</u>	<u>(71,182)</u>	<u>(71,182)</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	<u><u>811,715</u></u>	<u><u>(409,549)</u></u>	<u><u>402,166</u></u>
Balance at 1 July 2011	<u>811,715</u>	<u>(409,549)</u>	<u>402,166</u>
Total comprehensive income for the year	<u>-</u>	<u>58,686</u>	<u>58,686</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	<u><u>811,715</u></u>	<u><u>(350,863)</u></u>	<u><u>460,852</u></u>

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
ABN 27 128 796 458
Statement of Cashflows
for the Year Ended 30 June 2012

	<u>Notes</u>	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		680,709	469,846
Payments to suppliers and employees		(568,262)	(524,088)
Interest received		2,354	5,361
Interest paid		(797)	-
Net cash provided by/(used in) operating activities	17	<u>114,004</u>	<u>(48,881)</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(21,972)	(2,281)
Payments for intangible assets		-	-
Net cash used in investing activities		<u>(21,972)</u>	<u>(2,281)</u>
Cash Flows From Financing Activities			
Proceeds from borrowings		20,171	-
Net cash provided by financing activities		<u>20,171</u>	<u>-</u>
Net decrease in cash held		112,203	(51,162)
Cash and cash equivalents at the beginning of the financial year		55,299	106,461
Cash and cash equivalents at the end of the financial year	7(a)	<u>167,502</u>	<u>55,299</u>

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

b) Revenue

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

Revenue calculation

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

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

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

c) Income Tax

Current tax

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

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

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

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

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

h) Intangibles

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) *Loans and receivables*

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

(ii) *Held-to-maturity investments*

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

(iii) *Financial liabilities*

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

Impairment

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

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

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.

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 2. Financial Risk Management (continued)

(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.

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 4. Revenue from Ordinary Activities	2012	2011
	\$	\$
Operating activities:		
- services commissions	643,233	442,799
Total revenue from operating activities	<u>643,233</u>	<u>442,799</u>
Non-operating activities:		
- interest received	3,138	2,991
Total revenue from non-operating activities	<u>3,138</u>	<u>2,991</u>
Total revenues from ordinary activities	<u><u>646,371</u></u>	<u><u>445,790</u></u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	4,167	6,598
- leasehold improvements	11,546	11,554
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- establishment fee	20,000	20,000
	<u>37,713</u>	<u>40,152</u>
Bad debts	<u>-</u>	<u>360</u>

Note 6. Income Tax Credit

The components of tax expense comprise:

- Current tax	-	-
- Future income tax benefit attributed to losses	31,314	(18,885)
- Movement in deferred tax	(703)	(5,218)
- Recoup of prior year tax loss	-	-
- Under/(Over) provision of tax in the prior period -	-	-
	<u>30,611</u>	<u>(24,103)</u>

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

Operating profit/(loss)	89,297	(95,285)
Prima facie tax on profit/(loss) from ordinary activities at 30%	26,789	(28,585)
Add tax effect of:		
- non-deductible expenses	6,600	6,600
- timing difference expenses	43	5,218
- other deductible expenses	(2,118)	(2,118)
	<u>31,314</u>	<u>(18,885)</u>
Movement in deferred tax	11 (703)	(5,218)
	<u>30,611</u>	<u>(24,103)</u>

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	57,502	23,893
Term deposits	110,000	31,406
	<u>167,502</u>	<u>55,299</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 7.(a) Reconciliation of cash	2012	2011
	\$	\$
Cash at bank and on hand	57,502	23,893
Term deposits	110,000	31,406
	<u>167,502</u>	<u>55,299</u>

Note 8. Trade and Other Receivables

Trade receivables	56,638	35,405
Other receivables and accruals	784	-
Prepayments	3,448	-
	<u>60,870</u>	<u>35,405</u>

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	56,070	55,115
Less accumulated depreciation	(26,879)	(24,339)
	<u>29,191</u>	<u>30,776</u>

Leasehold improvements

At cost	140,501	140,501
Less accumulated depreciation	(41,206)	(29,660)
	<u>99,295</u>	<u>110,841</u>

Motor vehicle

At cost	21,017	-
Less accumulated depreciation	(1,627)	-
	<u>19,390</u>	<u>-</u>

Total written down amount	<u>147,876</u>	<u>141,617</u>
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Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	30,776	35,094
Additions	955	2,280
Less: depreciation expense	(2,540)	(6,598)
Carrying amount at end	<u>29,191</u>	<u>30,776</u>

Leasehold improvements

Carrying amount at beginning	110,841	122,395
Additions	-	-
Less: depreciation expense	(11,546)	(11,554)
Carrying amount at end	<u>99,295</u>	<u>110,841</u>

Motor Vehicle

Carrying amount at beginning	-	-
Additions	21,017	-
Less: depreciation expense	(1,627)	-
Carrying amount at end	<u>19,390</u>	<u>-</u>

Total written down amount	<u>147,876</u>	<u>141,617</u>
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Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 10. Intangible Assets	2012	2011
	\$	\$
<u>Franchise fee</u>		
At cost	10,000	10,000
Less: accumulated amortisation	(7,167)	(5,167)
	<u>2,833</u>	<u>4,833</u>
 <u>Establishment fee</u>		
At cost	100,000	100,000
Less: accumulated amortisation	(71,666)	(51,666)
	<u>28,334</u>	<u>48,334</u>
 Total written down amount	<u>31,167</u>	<u>53,167</u>

Note 11. Tax

Non-Current:

<u>Deferred tax assets</u>		
- employee provisions	8,956	8,018
- tax losses carried forward	123,966	155,280
	<u>132,922</u>	<u>163,298</u>
 <u>Deferred tax liability</u>		
- accruals	235	-
- deductible prepayments	-	-
	<u>235</u>	<u>-</u>
 Net deferred tax asset	<u>132,687</u>	<u>163,298</u>
 Movement in deferred tax charged to statement of comprehensive income	<u>(703)</u>	<u>(5,218)</u>

Note 12. Trade and Other Payables

Trade creditors	6,224	5,394
Other creditors and accruals	23,002	14,499
	<u>29,226</u>	<u>19,893</u>

Note 13. Borrowings

Current:

Bank loans	6,924	-
	<u>6,924</u>	<u>-</u>

Non-Current:

Bank loans	13,247	-
	<u>13,247</u>	<u>-</u>

Bank loans are repayable monthly with the final instalment due in June 2014. Interest is recognised at an average rate of 3.66%. The loans are secured by a fixed and floating charge over the company's assets.

Pambula & District Community Development Limited
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for the Year Ended 30 June 2012

	2012	2011
	\$	\$
Note 14. Provisions		
Current:		
Provision for annual leave	<u>19,321</u>	<u>20,604</u>
Non-Current:		
Provision for long service leave	<u>10,532</u>	<u>6,123</u>
Number of employees at year end	<u>4</u>	<u>5</u>
Note 15. Contributed Equity		
847,009 Ordinary shares fully paid (2011: 847,009)	847,009	847,009
Less: equity raising expenses	<u>(35,294)</u>	<u>(35,294)</u>
	<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®** 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.

Pambula & District Community Development Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 15. Contributed Equity (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 256 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. Accumulated Losses

	2012	2011
	\$	\$
Balance at the beginning of the financial year	(409,549)	(338,367)
Net loss from ordinary activities after income tax	58,686	(71,182)
Dividends paid or provided for	-	-
Balance at the end of the financial year	<u>(350,863)</u>	<u>(409,549)</u>

Note 17. Statement of Cashflows

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

Profit/(Loss) from ordinary activities after income tax	58,686	(71,182)
Non cash items:		
- depreciation	15,713	18,152
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- increase in receivables	(25,465)	(11,565)
- (increase)/decrease in other assets	30,611	(24,103)
- increase in payables	9,333	6,091
- increase in provisions	3,126	11,726
Net cashflows used in operating activities	<u>114,004</u>	<u>(48,881)</u>

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 18. Leases	2012	2011
	\$	\$
<u>Operating lease commitments</u>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	31,909	30,000
- between 12 months and 5 years	13,295	40,000
- greater than 5 years	-	-
	<u>45,204</u>	<u>70,000</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease is due for renewal on 30 November 2013 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	3,400	3,400
- share registry services	1,450	2,175
- non audit services	2,660	2,050
	<u>7,510</u>	<u>7,625</u>

Note 20. Director and Related Party Disclosures

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

Wayne Robert Matthews
Colin Dunn
Lyndon Lewis
Russell Fitzpatrick
Darryl Watts (*Appointed 23 November 2011*)
Janet Brandon (*Appointed 29 February 2012*)
Peter Julian Spinks (*Resigned 28 September 2011*)
Robin Barry Savage (*Resigned 23 November 2011*)
Alicia McDowell (*Resigned 30 June 2012*)

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

Transactions with related parties:

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

<u>-</u>	<u>3,364</u>
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Directors' Shareholdings	2012	2011
Wayne Robert Matthews	56,001	56,001
Colin Dunn	-	-
Lyndon Lewis	5,000	-
Russell Fitzpatrick	-	-
Darryl Watts (<i>Reappointed 23 November 2011</i>)	4,501	4,501
Janet Brandon (<i>Appointed 29 February 2012</i>)	1,500	1,500
Peter Julian Spinks (<i>Resigned 28 September 2011</i>)	501	501
Robin Barry Savage (<i>Resigned 23 November 2011</i>)	2,001	2,001
Alicia McDowell (<i>Resigned 30 June 2012</i>)	-	-

Pambula & District Community Development Limited
ABN 27 128 796 458
Notes to the Financial Statements
for the Year Ended 30 June 2012

	2012	2011
	\$	\$
Note 21. Dividends Paid or Provided		
<i>Dividends proposed and not recognised as a liability</i>		
Current year final dividend		
0% (2011: 0%) unfranked dividend - 5 cents (2011: Nil cents) per share	<u>42,350</u>	<u>-</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.

	2012	2011
	\$	\$
Note 23. Earnings Per Share		
(a) Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	58,686	(71,182)
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	766,474	766,474

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

There were no contingent liabilities 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 surrounding districts of New South Wales, pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
55A Toalla Street
Pambula NSW 2549

Principal Place of Business
55A Toalla Street
Pambula NSW 2549

Pambula & District Community Development Limited

ABN 27 128 796 458

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 28. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any 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 financial statements.

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in				Non interest bearing		Weighted average effective interest rate		
	2012	2011	Over 1 to 5 years		Over 5 years		2012	2011	2012	2011	
			2012	2011	2012	2011					%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets											
Cash and cash equivalents	53,458	19,993	110,000	31,406	-	-	-	4,044	3,901	3.03	4.23
Receivables	-	-	-	-	-	-	-	56,638	35,405	N/A	N/A
Financial Liabilities											
Interest bearing liabilities	-	-	-	-	20,171	-	-	-	-	3.66	0.00
Payables	-	-	-	-	-	-	29,224	19,893	N/A	N/A	N/A

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

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Wayne Robert Matthews, Chairman

Signed on the 7th of September 2012.



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

Report on the financial report

We have audited the accompanying financial report of Pambula & District Community Development Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Pambula & District Community Development Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Pambula & District Community Development Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 7 September 2012

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