



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

# **Annual Report 2013**

**Annual General Meeting  
Wednesday 27<sup>th</sup> November,  
2013  
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 27<sup>th</sup> November, 2013,**  
**in the Garden Room, Pambula-Merimbula Golf Club**

**Ordinary Business**

**1. Receipt of Annual Report**

To receive the Company's Financial Report, Chairman's Report, Manager's Report, Director's Report, Treasurer's Report, Auditor's Report, and the report from the BABL Regional Manager for the year ended 30 June 2013.

**2. Election of Directors**

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

- a) That Lyndon Lewis be elected as a director of the board.
- b) That Russell Fitzpatrick be elected as a director of the board.
- c) That Stephen Goodchild be elected as a director of the board.
- d) That Anne Allamby be elected as a director of the board.

**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 shareholders as at 5.00pm Wednesday 27/11/13.

By order of the board

A handwritten signature in black ink, appearing to read 'Janet Brandon', written in a cursive style.

Janet Brandon  
Company Secretary  
23 October 2013

## 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

#### Resignation of director

**Alicia McDowell** has for personal reasons, resigned as a director of the company, with effect from 2 July 2012, and does not seek re-election.

#### Re-election of directors retiring by rotation

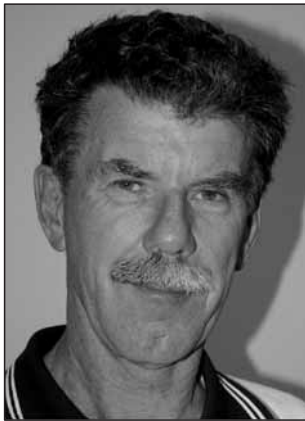
- e) **Lyndon Lewis** retires by rotation in accordance with the company's constitution, and being eligible offers himself for election to the board. Lyndon is currently the Deputy Chairman and Public Officer of the company, with special responsibility for the Company's Share Register. The board strongly endorses the election of Lyndon Lewis.
- f) **Russell Fitzpatrick** retires by rotation in accordance with the company's constitution, and being eligible offers himself for election to the board. Russell has extensive banking and community experience and is currently the Deputy Mayor of the Bega Valley Shire. The board strongly endorses the election of Russell Fitzpatrick.

#### Election of new directors

- g) **Stephen Goodchild**, 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 himself for election to the board. Stephen brings an extensive knowledge of the local area to the board, having worked as a primary school principal and teacher in several locations. He is currently an Assistant Governor of Rotary International and a past President of the Rotary Club of Pambula. The board strongly endorses the election of Stephen Goodchild.
- h) **Anne Allamby**, 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. Born and raised locally, Anne has a wide knowledge of the local area, people and issues. Currently active as a community volunteer, Anne has worked in small business managerial roles and as a company director. She also brings expertise in social media and generational change issues to the board. The board strongly endorses the election of Anne Allamby.

#### Additional Item - Sponsorship Presentations

Following the completion of AGM business, there will be a presentation of sponsorship cheques to community groups who have been awarded. The directors invite all shareholders and visitors to join us in some light refreshments.



## Chairman's Address

Good evening shareholders and guests, welcome to the Annual General Meeting of Pambula & District Community Development Limited, owners of the local **Community Bank®** Branch franchise. My name is Wayne Matthews and I am currently the Chairman of the company.

As we approach our fifth Birthday, which is also the end of the first term of our Franchise Agreement, I think it is important that we look at some of our achievements. Our main aim has been to return banking services to our local community. I can say with the greatest of confidence - we have well and truly done that. Another goal was to reinvest money back into our community, a community that covers the whole of the Bega Valley Shire. To this end over the last four years we have reinvested into the community in excess of \$120,000 from our Market Development Fund (MDF). At every AGM we explain the MDF. The MDF was set up by Bendigo and Adelaide Bank Limited to help **Community Bank®** branches grow their business. It is based on the amount of banking business (loans and deposits) we have on our books. We receive \$1,000 per year for each \$1,000,000 on our books, up to a maximum of \$50,000 per year. On the screen you can see some examples of how the MDF has been used.

During the first part of my address tonight, I plan to cover some of the company's achievements over the last 12 months, and after that I will discuss our aims for the coming year. Kim our Branch Manager will give you a more in-depth report on the day-to-day running of our Branch.

### The last 12 months

#### ***Pambula & District Community Bank® Branch***

At the start of last financial year we had \$70 million of banking business on our books and on 30<sup>th</sup> June this year we had \$90 million, a growth of almost one third – in one year!! Given the tough economic situation this was a great achievement. The deposits component of our banking business has fallen slightly but our loans have increased. Loans made our business more stable and gave us a better profit margin. In fact Kim and her team have done so well in the lending area, we actually achieved over 10% of the total lending growth for all **Community Bank®** branches and company owned branches in NSW. Due to the margins of Bendigo and Adelaide Bank being reduced because of borrowings to fund loans, they have had to adjust profit share again. The effect of this reduction is about \$4,000 per month.

#### ***Big Ideas Forum (BIF)***

During the year we conducted a "Big Ideas Forum" that encompassed the whole of the Bega Valley Shire. In excess of 110 people attended, covering all age brackets and interests and including most Shire Councillors. Each person was given a chance to explain their best idea and each table then selected the three best from their table of 11 people. Then a representative from each table gave a presentation, after which all attendees voted on the three best Big Ideas of the night. The proposal to provide carers and relatives accommodation at the new South East Regional Hospital received the most votes, with the Bundian Way project a close second. The Board is looking to support growth and expansion ideas across the Shire and encouraging community groups to work together for better results and value for money invested.

## **Office**

Another initiative was to lease premises in Toalla Street next to the video shop. This will be used not only as an office for the Company but also to provide a space for use by local community groups, which adds to our community scorecard of putting investment back to our community. And because of the workload on our Treasurer and Secretary we have employed two casual staff to take on some of their duties.

## **Our goals for this financial year**

### ***Renew Franchise***

As I said earlier we have now been operating for almost five years. Our Franchise Agreement is based on increments of five years and thus we have to renew the Agreement this year. This renewal will cost us around \$70,000. As the lease on our business premises is also five years, this lease also has been negotiated with our landlord and he has agreed to renew the lease for a further five years with a weekly rental increase of \$40 per week. We don't see any reason why Bendigo and Adelaide Bank will not renew our Franchise for another five years.

### ***WIFI***

We are currently in negotiation with Splash Internet Services to provide free WIFI for the Pambula business district. This will cost the company around \$200 a month, but with the opportunity for local businesses to be able to advertise, the provision of this service may end up costing the Company nothing.

### ***Expansion***

The Board feels that to open a full **Community Bank®** branch in another location at this stage doesn't make commercial sense. Because we have been doing so much lending and to provide a better service to our customers, we have put a proposal to Bendigo and Adelaide Bank to open lending offices in a number of locations. They have agreed in-principle with this idea. If we proceed, these offices would be open on one or two set days per week and be manned by our existing staff. We would be able to do all the usual banking business except cash transactions.

### ***Dividend***

The Board anticipates being able to pay another dividend again this year. The amount if any will be no greater than that provided in the company's budget. Renewing the Franchise Agreement will be a drain on cash at the end of the year, hence the conservative nature of our dividend provision.

Before I finish I would like to thank a number of people. Firstly my fellow directors, who have put in many hours to make the company so successful. All the directors are unpaid and the only remuneration they receive is out of pocket expenses. Our Minute Secretary Kerry who has done an excellent and accurate job. I would like to thank our outgoing Regional Manager John Blue. Our Bank is now part of the South Coast Region and with this move from the Canberra Region we have a new Regional Manager, Jim Crawford. Many thanks to you the shareholders for without your financial support we would not have been able to return banking services to our community. The team at our **Community Bank®** branch: Jenny, Sandy, Tanya, Belinda and Barbara, who have provided us all with great service and upheld all the ideals of what **Community Bank®** branches are about. To our spouses, family and friends, thank you for the support you have given us during the year. And of course the driving force behind why we are such a successful **Community Bank®** branch, our Manager Kim. Her professionalism, her love of what she does, her entrepreneurial nature and her attention to detail have made her a pleasure to work with.



Wayne Matthews  
Chairman



## Manager's Report

As our 5<sup>th</sup> birthday approaches, it is very pleasing to note that I can report another solid year of growth for our **Community Bank®** branch. Our business levels currently stand at over \$96 million and I am assuming by the time our Annual General Meeting is held in November 2013, our business will have hit the \$100 million milestone.

This is a tremendous achievement and one that all the staff are extremely proud of. The timing is great considering we will be celebrating our 5<sup>th</sup> birthday on 1<sup>st</sup> December and can also celebrate this achievement of \$100 million in business at the same time. It is worth noting that our Pambula & District **Community Bank®** Branch contributed a minimum of 10% of the entire lending growth for NSW/ACT for the financial year 2012/2013. This is a huge accolade and without the dedication and hard work from the staff this would not have been possible.

Due to the constant growth of our business and the current levels we hold, the net profit before tax for the financial year ending 30<sup>th</sup> June 2013 will reflect as over \$200,000. So it is very heartening to know the business is now placed in a solid position, with so much available business from the entire Bega Valley Shire that our business levels will continue to soar beyond all expectations. The most rewarding part is of course the fact that up to 80% of profits may be reinvested into the community and to date around \$180,000 has been returned to the community via not-for-profit sponsorship funding and worthy community causes. Most new customers to the branch join us not only

because of the excellent customer service we provide but also are happy to support a financial institution which directly assists the community they live in. The **Community Bank®** model is unique and we are fortunate to have such a successful branch in Pambula.

We are constantly busy in the branch, so much so we employed another full-time staff member in February 2013 to keep up with demand. Sandy Spain comes from the Wagga Wagga area and had worked for Bendigo Bank for three years prior to joining our team. She is a welcome addition to our growing team and brings with her a vast range of knowledge and experience. Pambula & District Community Development Limited now employs six staff, three of which are full-time employees.

The Board of Directors continue to do a great job for the company. They are all acting in a voluntary capacity and spend countless hours behind the scenes ensuring everything runs smoothly and efficiently. They are a great team of people who have the best interests of the community at heart, what a wonderful company to work for. The success of this **Community Bank®** branch really is a team effort, the staff could not do what we do without the support of the Board, nor could the Board do what they do without the support of the staff. The partnership we have with Bendigo and Adelaide Bank is paramount to the success of the branch and the assistance they provide to us is greatly appreciated.

Thank you to everyone for sharing this success, whether you are a shareholder, a customer, a staff member, a director, a member of the community or a recipient of our generous sponsorship program, we all come together to make this dream a reality.

Wishing everyone a safe and happy Christmas for 2013 and a prosperous 2014. Again, I look forward to presenting my address to you next year, with more outstanding results to report. I also look forward to seeing you all for our 5<sup>th</sup> Birthday celebrations.

Kim Stevenson

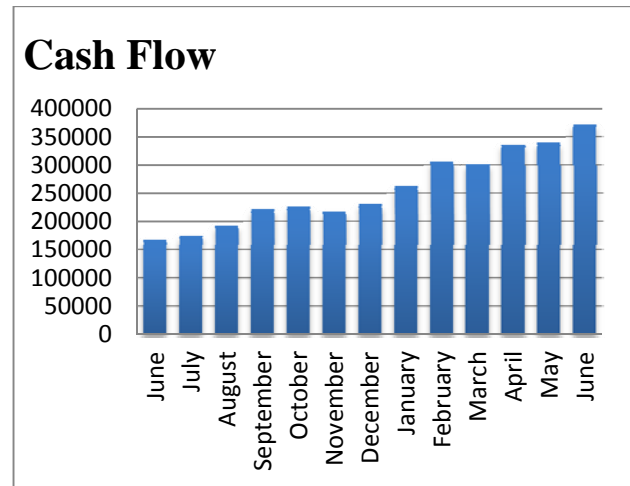
A handwritten signature in black ink, appearing to read 'Kim Stevenson', written in a cursive style.

Branch Manager



# Treasurer's Report

The 2012-2013 year has been another successful year with performance way better than the last financial year and above budget. It goes to show that the formula the company is using is working. Great staff and management, a strong and supportive Board, a terrific sponsorship record (with accompanying publicity) a top location and a strong brand has resulted in a terrific performance.



Cash continues to grow as the Bank thrives. Note that dividends totalling \$42,000 were paid in November 2012 and it is intended to pay another later this year. The Franchise for the bank will need to be renewed in December 2013 and this will be a cash impost of approximately \$70,000.

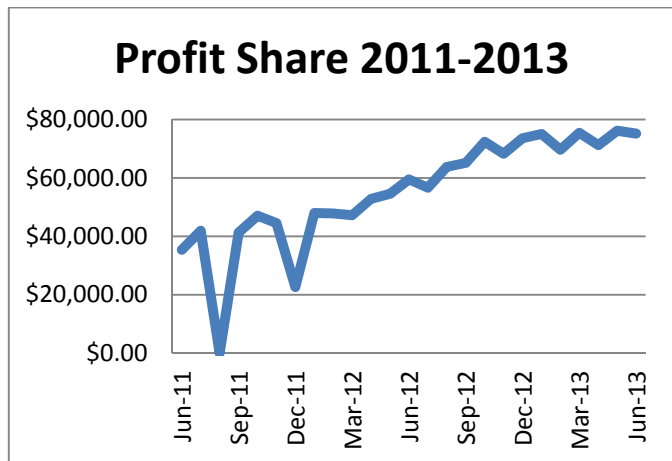
Over \$78,000 was spent on market development during 2012-2013 including well over \$50,000 on sponsorship and this has had an obvious positive impact on business growth.

## Income

Overall the total income of the Company rose by 19% in 2012-2013. The major source of funds continued to be Gross Margin (mainly lending) and was better than budgeted. It rose by 30% over the year. Fee income increased by 33% and Upfront Product Commission by 12%. On the other hand Trailer Product Commission fell by 22% over the year largely due to the Restoring the Balance policy of the Bendigo and Adelaide Bank.

## Profitability

Profit share has risen 112% since June 2011 and 26% over the last financial year. However the rate of growth in profit share was greater in 2011-2012 when it increased by approximately 68%. There is a slowing in the rate of growth of profit share. The move towards Restoring the Balance is one factor in causing this slowing. But there could be other issues in play such as capacity of the market to grow!!



I would like to pay a tribute to the two part-time staff who have worked with me on the financial data this year. Leea Ferris and Gavin Bell have provided exceptional support.

We look forward to another great year.

Colin Dunn  
Honorary Treasurer



# Regional Manager's Address

Wayne Matthews, Chairman of Pambula & District **Community Bank**<sup>®</sup> Branch  
His fellow Directors  
Shareholders and supporters  
Customers, and hopefully, future customers

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

Thanks to your support as shareholders and customers, the **Community Bank**<sup>®</sup> network has achieved another significant milestone this year, contributing more than \$100 million to support the communities these unique companies operate within.

Over 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.

On 1<sup>st</sup> July this year Pambula Community Bank joined another region, this region covers South East NSW and it is hoped that we at Bendigo Bank can give Pambula even further support to help your staff and board continue to grow and offer further assistance to your community.

It is worth noting that to make this community support a bit more personal to your community, the South Coast of NSW has supported their local communities by giving over \$3 million to their local charities, sporting groups and other worthwhile community ventures.

Your **Community Bank**<sup>®</sup> here at Pambula has been a significant contributor to this outstanding effort.

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<sup>™</sup> (philanthropic arm), Community Sector Banking (banking service for not-for-profit organizations), Generation Green<sup>™</sup> (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**<sup>®</sup> companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**<sup>®</sup> Company has a committed and strong partner and over the last financial year our company has also seen much success.

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**<sup>®</sup> 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**<sup>®</sup> 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.

Recently I was privileged to attend the Big Ideas Forum that was organized by your board of directors. Over 110 community members from all walks of life attended. They contributed their thoughts and energies to creating solutions to issues and ways of improving the lives of those who live in this community. Some fantastic ideas have been generated and some great teams formed and I am sure your community will create excellent outcomes from this great event.

I have been in banking now for most of my working life and I wish you to know that in your community bank you have something really special.

- A team of staff who take the satisfying of your financial needs and requirements personally and will always create for you the best outcome.
- A board of directors that are diligent, energetic and talented in their management of your community bank to ensure the best outcomes for you and your community.
- This combined team are tireless in their efforts to generate business and spread the profits to benefit you and your fellow community members. You now have a community funding vehicle that will generate an enormous ability for community benefit into the future.

Thank you.

Jim Crawford  
Regional Manager 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 25/11/13). 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 55 A Toalla Street, Pambula NSW 2549
- By facsimile to 02 6495 7782

# Proxy Form

**Pambula & District Community Development Ltd**

ABN 27 128 796 458  
November 27<sup>th</sup>, 2013

**All correspondence to**

Pambula & District Community Development Ltd  
PO Box 251, Pambula NSW 2549  
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**

**For                  Against                  Abstain\***

**Ordinary Business**

Item 1. Receipt of Financial and other Reports

Item 2. Election of Directors


\*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 SIGNHERE**

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 Secretary Sole Company Secretary

**Shareholder2**

Director

**Shareholder3**

Director/Company

# **Pambula & District Community Development Limited**

## **Financial Statements**

**as at**

**30 June 2013**

**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 2013.

**Directors**

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

**Wayne Robert Matthews**

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

**Colin Dunn**

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

**Lyndon Lewis**

Director  
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

**Janet Brandon**

Director  
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)

**Darryl Watts**

Director/Secretary  
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.

**Russell Fitzpatrick**

Director  
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.

**Stephen Goodchild**

Director (*Appointed 29 November 2012*)  
Occupation:  
Experience & Expertise: Has owned Bed & Breakfast business, experience as a land surveyor and a past primary school teacher. Involved in Pambula Rotary club and golf club. Diploma of Teaching.

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**

Janet Brandon was appointed the Company Secretary on 29 November 2012. Janet has many years of management experience across a number of not for profit organisations. She is the current treasurer of the Sapphire Coast Anglican Parish, and a past secretary of the Pambula Aquatic Centre. Prior to Janet being appointed to the role Darryl Watts was the company secretary.

**Principal Activities**

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

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

**Operating Results**

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

Year ended 30 June 2013	Year ended 30 June 2012
\$	\$
148,354	58,686

**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.

**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:

	<b>Number of Board Meetings</b>	
	<b><u>Eligible to attend</u></b>	<b><u>Number attended</u></b>
Wayne Robert Matthews	11	9
Colin Dunn	11	9
Lyndon Lewis	11	11
Janet Brandon	11	10
Darryl Watts	11	11
Russell Fitzpatrick	11	10
Stephen Goodchild ( <i>Appointed 29 November 2012</i> )	7	5

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.

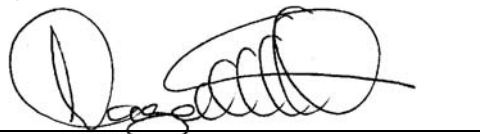
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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 13 September 2013.



**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 2013 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 positioned above the printed name.

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

Dated: 13 September 2013

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

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**Pambula & District Community Development Limited**  
**ABN 27 128 796 458**  
**Statement of Comprehensive Income**  
**for the Year Ended 30 June 2013**

	<u>Notes</u>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
Revenues from ordinary activities	4	876,995	646,371
Employee benefits expense		(354,416)	(297,377)
Charitable donations, sponsorship, advertising and promotion		(76,160)	(51,440)
Occupancy and associated costs		(51,290)	(42,464)
Systems costs		(20,881)	(32,896)
Depreciation and amortisation expense	5	(37,837)	(37,713)
Finance costs	5	(1,114)	(797)
General administration expenses		(114,631)	(94,387)
		<hr/>	<hr/>
<b>Profit before income tax expense</b>		<b>220,666</b>	<b>89,297</b>
Income tax expense	6	(72,312)	(30,611)
		<hr/>	<hr/>
<b>Profit after income tax expense</b>		<b>148,354</b>	<b>58,686</b>
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>148,354</b>	<b>58,686</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share (cents per share)</b>		<u>c</u>	<u>c</u>
- basic for profit for the year	23	19.36	7.66

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 2013**

	<u>Notes</u>	<b>2013</b> \$	<b>2012</b> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	371,573	167,502
Trade and other receivables	8	80,334	60,870
<b>Total Current Assets</b>		<b><u>451,907</u></b>	<b><u>228,372</u></b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	136,765	147,876
Intangible assets	10	9,166	31,167
Deferred tax assets	11	60,375	132,687
<b>Total Non-Current Assets</b>		<b><u>206,306</u></b>	<b><u>311,730</u></b>
<b>Total Assets</b>		<b><u>658,213</u></b>	<b><u>540,102</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	38,462	29,226
Borrowings	13	6,924	6,924
Provisions	14	19,719	19,321
<b>Total Current Liabilities</b>		<b><u>65,105</u></b>	<b><u>55,471</u></b>
<b>Non-Current Liabilities</b>			
Borrowings	13	7,409	13,247
Provisions	14	18,843	10,532
<b>Total Non-Current Liabilities</b>		<b><u>26,252</u></b>	<b><u>23,779</u></b>
<b>Total Liabilities</b>		<b><u>91,357</u></b>	<b><u>79,250</u></b>
<b>Net Assets</b>		<b><u>566,856</u></b>	<b><u>460,852</u></b>
<b>Equity</b>			
Issued capital	15	811,715	811,715
Accumulated losses	16	(244,859)	(350,863)
<b>Total Equity</b>		<b><u>566,856</u></b>	<b><u>460,852</u></b>

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 2013**

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2011</b>	<u>811,715</u>	<u>(409,549)</u>	<u>402,166</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>58,686</u>	<u>58,686</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2012</b>	<u><u>811,715</u></u>	<u><u>(350,863)</u></u>	<u><u>460,852</u></u>
<b>Balance at 1 July 2012</b>	<u>811,715</u>	<u>(350,863)</u>	<u>460,852</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>148,354</u>	<u>148,354</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,350)	(42,350)
<b>Balance at 30 June 2013</b>	<u><u>811,715</u></u>	<u><u>(244,859)</u></u>	<u><u>566,856</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 2013**

	<u>Notes</u>	<b>2013</b> \$	<b>2012</b> \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		942,068	680,709
Payments to suppliers and employees		(691,165)	(568,262)
Interest received		7,195	2,354
Interest paid		(1,114)	(797)
<b>Net cash provided by operating activities</b>	17	<u>256,984</u>	<u>114,004</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(4,725)	(21,972)
<b>Net cash used in investing activities</b>		<u>(4,725)</u>	<u>(21,972)</u>
<b>Cash Flows From Financing Activities</b>			
Proceeds from borrowings		(5,838)	20,171
Dividends Paid		(42,350)	-
<b>Net cash provided by/(used in) financing activities</b>		<u>(48,188)</u>	<u>20,171</u>
<b>Net decrease in cash held</b>		204,071	112,203
Cash and cash equivalents at the beginning of the financial year		167,502	55,299
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u><u>371,573</u></u>	<u><u>167,502</u></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 2013**

**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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

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 2013**

**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 (i.e. '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 and February 2013 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 2013**

**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 2013**

**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 2013**

**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 2013**

**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 2013 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 2013**

**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 2013**

<b>Note 4. Revenue from Ordinary Activities</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- services commissions	868,865	643,233
Total revenue from operating activities	<u>868,865</u>	<u>643,233</u>
Non-operating activities:		
- interest received	8,130	3,138
Total revenue from non-operating activities	<u>8,130</u>	<u>3,138</u>
Total revenues from ordinary activities	<u><u>876,995</u></u>	<u><u>646,371</u></u>

**Note 5. Expenses**

Depreciation of non-current assets:		
- plant and equipment	6,195	4,167
- leasehold improvements	9,642	11,546
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- establishment fee	20,000	20,000
	<u>37,837</u>	<u>37,713</u>
Bad debts	<u>199</u>	<u>-</u>

**Note 6. Income Tax Credit**

The components of tax expense comprise:

- Current tax	-	-
- Future income tax benefit attributed to losses	-	-
- Movement in deferred tax	(2,333)	(703)
- Recoup of prior year tax loss	74,645	31,314
- Under/(Over) provision of tax in the prior period -	-	-
	<u>72,312</u>	<u>30,611</u>

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

Operating profit	220,666	89,297
Prima facie tax on profit from ordinary activities at 30%	66,200	26,789
Add tax effect of:		
- non-deductible expenses	6,600	6,600
- timing difference expenses	2,333	43
- other deductible expenses	(488)	(2,118)
	<u>74,645</u>	<u>31,314</u>
Movement in deferred tax	<b>11</b> (2,333)	(703)
	<u>72,312</u>	<u>30,611</u>

**Note 7. Cash and Cash Equivalents**

Cash at bank and on hand	115,420	57,502
Term deposits	256,153	110,000
	<u>371,573</u>	<u>167,502</u>

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

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<b>Note 7. Cash and Cash Equivalents (continued)</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Note 7.(a) Reconciliation of cash</b>		
Cash at bank and on hand	115,420	57,502
Term deposits	256,153	110,000
	<u>371,573</u>	<u>167,502</u>
 <b>Note 8. Trade and Other Receivables</b>		
Trade receivables	75,167	56,638
Other receivables and accruals	1,719	784
Prepayments	3,448	3,448
	<u>80,334</u>	<u>60,870</u>
 <b>Note 9. Property, Plant and Equipment</b>		
<u>Plant and equipment</u>		
At cost	59,523	56,070
Less accumulated depreciation	(30,585)	(26,879)
	<u>28,938</u>	<u>29,191</u>
 <u>Leasehold improvements</u>		
At cost	141,774	140,501
Less accumulated depreciation	(50,913)	(41,206)
	<u>90,861</u>	<u>99,295</u>
 <u>Motor vehicle</u>		
At cost	21,017	21,017
Less accumulated depreciation	(4,051)	(1,627)
	<u>16,966</u>	<u>19,390</u>
Total written down amount	<u>136,765</u>	<u>147,876</u>
 <b>Movements in carrying amounts:</b>		
<u>Plant and equipment</u>		
Carrying amount at beginning	29,191	30,776
Additions	3,453	955
Less: depreciation expense	(3,706)	(2,540)
Carrying amount at end	<u>28,938</u>	<u>29,191</u>
 <u>Leasehold improvements</u>		
Carrying amount at beginning	99,295	110,841
Additions	1,273	-
Less: depreciation expense	(9,707)	(11,546)
Carrying amount at end	<u>90,861</u>	<u>99,295</u>
 <u>Motor Vehicle</u>		
Carrying amount at beginning	19,390	-
Additions	-	21,017
Less: depreciation expense	(2,424)	(1,627)
Carrying amount at end	<u>16,966</u>	<u>19,390</u>
Total written down amount	<u>136,765</u>	<u>147,876</u>

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	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Note 10. Intangible Assets</b>		
<u>Franchise fee</u>		
At cost	10,000	10,000
Less: accumulated amortisation	(9,167)	(7,167)
	<u>833</u>	<u>2,833</u>
 <u>Establishment fee</u>		
At cost	100,000	100,000
Less: accumulated amortisation	(91,667)	(71,666)
	<u>8,333</u>	<u>28,334</u>
	<u>9,166</u>	<u>31,167</u>
 <b>Note 11. Tax</b>		
<b>Non-Current:</b>		
<u>Deferred tax assets</u>		
- employee provisions	11,569	8,956
- tax losses carried forward	49,322	123,966
	<u>60,891</u>	<u>132,922</u>
 <u>Deferred tax liability</u>		
- accruals	(516)	235
- deductible prepayments	-	-
	<u>(516)</u>	<u>235</u>
Net deferred tax asset	<u>60,375</u>	<u>132,687</u>
Movement in deferred tax charged to statement of comprehensive income	<u>(2,333)</u>	<u>(703)</u>
 <b>Note 12. Trade and Other Payables</b>		
Trade creditors	3,160	6,224
Other creditors and accruals	35,302	23,002
	<u>38,462</u>	<u>29,226</u>
 <b>Note 13. Borrowings</b>		
<b>Current:</b>		
Bank loans	<u>6,924</u>	<u>6,924</u>
 <b>Non-Current:</b>		
Bank loans	<u>7,409</u>	<u>13,247</u>
	<u>14,333</u>	<u>20,171</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.



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	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Note 14. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	<u>19,719</u>	<u>19,321</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>18,843</u>	<u>10,532</u>
 <b>Note 15. Contributed Equity</b>		
847,009 Ordinary shares fully paid (2012: 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.

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**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.

<b>Note 16. Accumulated Losses</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	(350,863)	(409,549)
Net loss from ordinary activities after income tax	148,354	58,686
Dividends paid or provided for	(42,350)	-
Balance at the end of the financial year	<u>(244,859)</u>	<u>(350,863)</u>

**Note 17. Statement of Cashflows**

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

Profit from ordinary activities after income tax	148,354	58,686
Non cash items:		
- depreciation	15,837	15,713
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- increase in receivables	(19,464)	(25,465)
- decrease in other assets	72,312	30,611
- increase in payables	9,236	9,333
- increase in provisions	8,709	3,126
Net cashflows provided by in operating activities	<u>256,984</u>	<u>114,004</u>

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<b>Note 18. Leases</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<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	31,909
- between 12 months and 5 years	13,295	45,204
- greater than 5 years	-	-
	<u>45,204</u>	<u>77,113</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	3,600	3,400
- share registry services	2,978	1,450
- non audit services	1,880	2,660
	<u>8,458</u>	<u>7,510</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  
Janet Brandon  
Darryl Watts  
Russell Fitzpatrick  
Stephen Goodchild (*Appointed 29 November 2012*)

<b>Directors' Shareholdings</b>	<b>2013</b>	<b>2012</b>
Wayne Robert Matthews	56,001	56,001
Colin Dunn	-	-
Lyndon Lewis	5,000	5,000
Janet Brandon	1,500	1,500
Darryl Watts	5,501	4,501
Russell Fitzpatrick	-	-
Stephen Goodchild ( <i>Appointed 29 November 2012</i> )	-	-

**Pambula & District Community Development Limited**  
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	2013	2012
	<u>\$</u>	<u>\$</u>
<b>Note 21. Dividends Paid or Provided</b>		
<b>a. Dividends paid during the year</b>		
Unfranked dividend - 5 cents (2012: nil cents) per share	42,350	-
<b>b. Dividends proposed and not recognised as a liability</b>		
Unfranked dividend - nil cents (2012: 5 cents) per share	-	42,350

**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.

	2013	2012
	<u>\$</u>	<u>\$</u>
<b>Note 23. Earnings Per Share</b>		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	148,354	58,686
	<b><u>Number</u></b>	<b><u>Number</u></b>
(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**  
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**Notes to the Financial Statements for the Year Ended 30 June 2013**

**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 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

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate		
	2013	2012	1 year or less		Over 1 to 5 years		Over 5 years		2013	2012	2013	2012	
			\$	\$	\$	\$	\$	\$					%
<b>Financial Assets</b>													
Cash and cash equivalents	152,169	53,458	256,153	110,000	-	-	-	-	-	3,251	4,044	3.07	3.03
Receivables	-	-	-	-	-	-	-	-	-	75,167	56,638	N/A	N/A
<b>Financial Liabilities</b>													
Interest bearing liabilities	-	-	6,924	6,924	7,409	13,247	-	-	-	-	-	4.36	3.66
Payables	-	-	-	-	-	-	-	-	-	38,461	29,224	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 2013 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.



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**Wayne Robert Matthews, Chairman**

Signed on the 13th of September 2013.

## **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 2013, 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.

## 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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



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

Dated: 13 September 2013