



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

Annual Report 2014

Presented to the **Annual General Meeting**,
held on Wednesday 26th November 2014, at 7.00 pm
in the Pambula Merimbula Golf Club

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Chairman's Report

I have had the privilege of being a Director of *Pambula & District Community Development Limited*, owner of the local Bendigo Bank Franchise, since the company's beginning in 2008. For much of that time, I have also been Chairman. This year has seen, yet again, record breaking results for our company.

Community Investment

In our fifth year, we have reinvested over \$49,000 in sponsorship and grants into our local Bega Valley community. This brings to a total of over \$200,000 that we have returned to the community since we opened our doors in October 2008. This is a truly great effort in building the local community balance sheet.

Profit

Over the last year our share of gross profit (net income) grew from \$868,000 to over \$1 million and our profit before tax grew significantly to the extent that we have almost eliminated the accumulated losses the company has incurred over the five years. It should be noted that in June this year \$100,000 was placed into the Bendigo Bank's Community Enterprise Foundation™ to provide for more community investments in the coming year. This will show as Community Grants (an expense) in the 2013/2014 financial year and is the reason why our annual net profit is only approximately \$142,000 instead of over \$240,000. However, it is an investment in future community growth.

Dividends

Due to the continued success of the company, I am very pleased to announce that we will again be paying a dividend this year and it will be 7.5 cents per share (compared with 5.0 cents per share paid last year). The dividend will be unfranked and will be paid this financial year.

Expansion

The Business Development Committee, in conjunction with the Board, is examining the possibility of opening a branch in Bega. Because of the current workload on the Board, and the difficulty in finding suitable premises, this is an ongoing process. But watch this space.

Directors

This year we welcomed Anne Allamby as our newest Director. As part of our proposed expansion to Bega we are looking now to recruit some new Directors from that area. And, of course, we are always looking for skilled and experienced people who can add value to our group of Directors. It is my plan to renominate myself to continue as the Chairman of your company.

There are a number of people I would like to thank.

Darryl Watts, our former Company Secretary, retired from the Board during this year. Darryl was a founding member of the Board and his experience and business acumen is greatly missed. We wish him well in his retirement.

My fellow Directors of the Board, and our Minute Secretary Kerry Lewis, all volunteer their time to help make our company a success. Thanks are also due to our spouses and families who support us in our roles as Directors.

Our Regional Manager Jim Crawford has spent a lot of time this year helping us look at expansion possibilities and options for the future of our banking business.

To the many community groups and organisations with which we are proud to be associated. Supporting local projects, providing sponsorship and working in partnership with the wider community is our ultimate goal and also adds value to our business.

You, the shareholders, have provided the basis for everything we do in the branch and therefore the community. Without your commitment we wouldn't be here, and none of our great success would have been possible.

Last but not certainly not least is our brilliant **Community Bank®** branch staff: Jenny, Sandy, Tanya, Belinda, Barbara and Philip, who are driven to great success by our outstanding Branch Manager Kim. Under Kim's leadership, the work ethic and commitment to the service of our customers is nothing short of amazing, and continues to attract attention locally and also on a state and national level.

Thank you to everyone involved this year, as we look forward to another year of great achievement.



Wayne Matthews
Chairman

Deputy Chairman's Report

It has been my absolute pleasure to support our Chairman Wayne Matthews and serve on your Board comprising of such a talented, enterprising, diligent and above all, community spirited collective of people.

This past year has been very exciting and has opened the door to quite a few potential opportunities for your company, both from a business expansion point of view and with some very promising community projects.

As you were informed last year, our shares are now traded on the *Low Volume Market* (LVM). While this has been a productive method of trading shares, it does require various forms to be filled out and sent back and forth between buyers and sellers. This process is also unfortunately encumbered with the need to pay NSW Stamp Duty. Although this is only a very small amount, it tends to complicate the share transfer process and cause unwarranted delays during the State Revenue Office's processing of the stamp duty.

The forms "Register your interest to Sell and Buy shares" and "Security Transfer" can be found on the Bendigo Community branch website which also includes a guide to trading on the LVM and my contact number should you require any further information or assistance.

Thank you all for your ongoing support of this wonderful concept that we call Community Banks and I look forward to continue serving on your board and growing your company well in excess of your expectations.

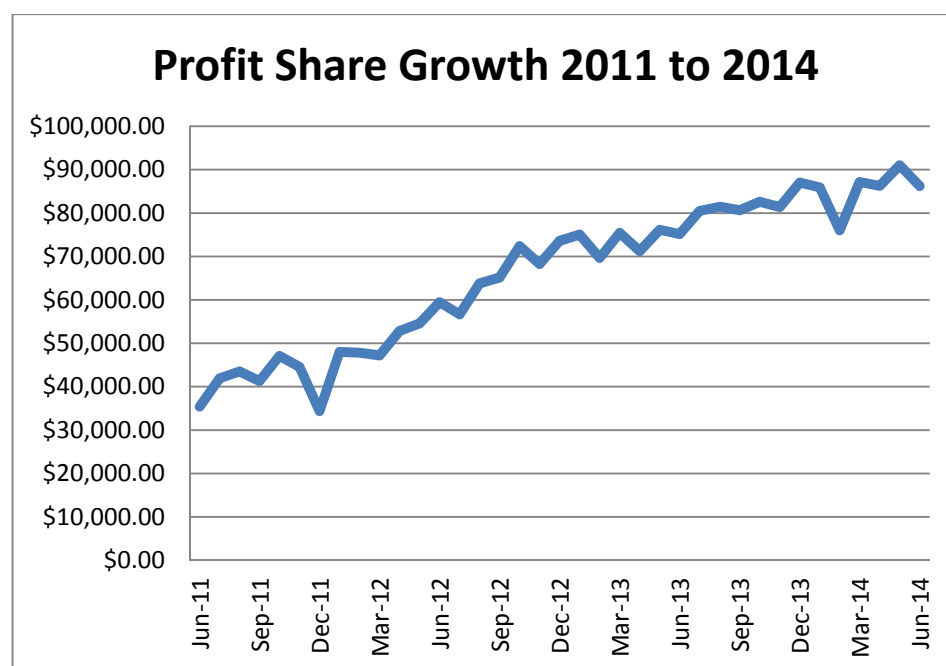
Lyndon D Lewis
Deputy Chairman

Treasurer's Report

The financial performance of the company in 2013-2014 has been stunning, again! On many measures your local bank leads most other NSW Community Banks and is one of the highest performing in the country. This is a real tribute to the staff. They continue to provide exceptional service to the local community and the word is getting out – the geographical spread of customers is growing.

Income

The company's income has risen considerably since June 2011, as can be seen in the graph below. From approximately \$35,000 per month in 2011, profit share¹ reached a high point of \$91,000 in May this year. The average monthly profit share in 2013-2014 was \$83,000 - over double what it was in June 2011.



Net Profit

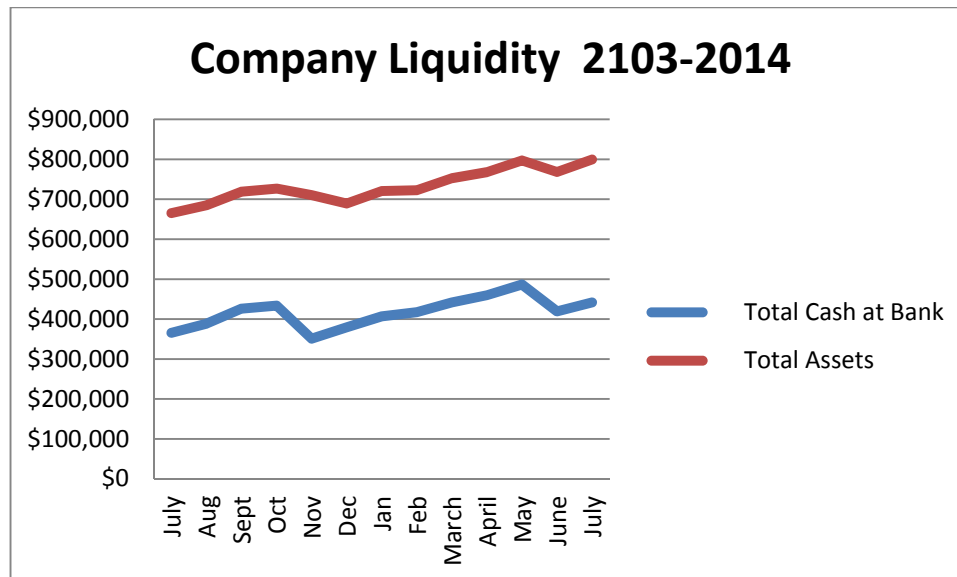
Over the past year our net profit has continued to be very healthy, sitting around approximately \$20,000 per month on average. The exception was June 2014 when \$100,000 in sponsorship funds were deposited into the Bendigo Bank's *Community Enterprise Foundation*TM. This represents an investment in future community contributions. The company expects to post an annual profit this year of close to \$154,000, leaving net carried forward accumulated losses into 2014-2015 of approximately \$12,000. It appears that if the company continues at this pace there will be tax to pay in 2014-2015!!

¹ Pambula & District Community Development Limited income (gross profit after borrowing costs etc) is shared 50/50 with the Bendigo and Adelaide Bank.

Financial Position

Liquidity

In November 2013 the company renewed its franchise with the Bendigo and Adelaide Bank (\$78,000), paid a dividend to shareholders (\$43,000 in November) and, as described above, in June this year deposited \$100,000 into the CEF to provide for future contributions to community projects. And the company has paid out in excess of \$30,000 in sponsorship and grants over the course of the year.



In spite of these substantial outflows, as can be seen in the above graph, cash has grown from approximately \$356,000 in July 2013 to over \$419,000 in June 2014 and cash still comprises 55% of total assets.

The company has approximately 85% of its cash in term deposits. The Board is actively looking at opportunities for expansion and growth, so that better use can be made of these funds. The Board is very conscious of the fact that by growing the business in the right way the company can make bigger and better returns to the community.

Thanks

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

We look forward to another great year.

Colin Dunn
Honorary Treasurer

Branch Manager's Report



Since our opening in 2008, our **Community Bank®** branch has seen some outstanding results and our business has performed consistently well in all areas. This in turn has ensured the success of our community company. As a result I am pleased to report that this year our business, for the first time, generated over \$1 million in income. Needless to say, the net profit of the company is also very healthy, with everything looking very optimistic moving into a new financial year.

As at 30th June 2014, our total footings stood at almost \$113 million, made up of over \$68 million in lending and \$44 million in deposits. We have approximately 3,579 accounts under management and 2,274 relationships with our customers covering a wide geographic area. Considering the Bega Valley Shire has a population of over 33,000 people, there are still many opportunities for growth, especially given our point of difference with our competitors.

The year has been quite a journey for many of us and personally has given me, as Branch Manager, great satisfaction to head up such an extraordinary team of people. We are all so proud to be able to work for a financial institution that revolves around the community and we are seeing more and more people wanting a say in where the profits from their banking are heading. All the staff are able to focus on customer service and genuinely welcome new customers to bank with us, to experience a real banking relationship with real people, focused on customer and community. It all comes down to us doing what we do and being better than the others and that's what makes us so much Bigger than a bank!!

It is heartening to see more and more funding being reinvested into the community. Since 2008, the total sponsorships and donations paid by our company directly back to the local community throughout the Bega Valley Shire now stands at over \$200,000. This figure is set to increase steadily over the coming years as we grow from strength to strength.

I wish everyone and their loved ones all the very best as we head into the new financial year and thank you so much for being a part of this extraordinary journey and I will wrap up with the following personal belief:-

“The success we enjoy as a **Community Bank**® branch, as a community company and as a community organisation is a legacy of the local shareholders and customers who were open-minded and brave enough to look at and invest in the future of the community and realise the possibilities presented. The success is also due to the hard working efforts and commitment of the staff who operate within the business and to the efforts of the Board members who all work on a voluntary basis and are so passionate about “community”. We all give up personal time and energy to make this banking model work. It is a win-win for both customers and community alike, for without a joint effort in all areas this success would not have been achievable”.

Kim Stevenson



Branch Manager

Regional Manager's Report



Thanks to your support as shareholders and customers, the **Community Bank**® network has achieved another significant milestone this year, contributing more than \$122 million to support the communities these unique companies operate within.

It is worth noting that to make this community support a bit more personal to your community, the nine **Community Bank**[®] branches that operate on the South Coast of NSW have supported their local communities by giving nearly \$4 million to their local charities, sporting groups and other worthwhile community ventures.

Your **Community Bank**[®] branch here at Pambula has been a significant contributor to this outstanding effort.

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.

Bendigo Bank has been named Australia's most recommended bank by its customers who participated in the latest Roy Morgan research.

Almost two-thirds of the Bank's customers (63.2 per cent) said they would recommend Bendigo Bank to friends and colleagues. The results indicate the Bank's customers are 'High Advocates' - that is they rated Bendigo Bank an 8, 9 or 10 out of 10.

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.

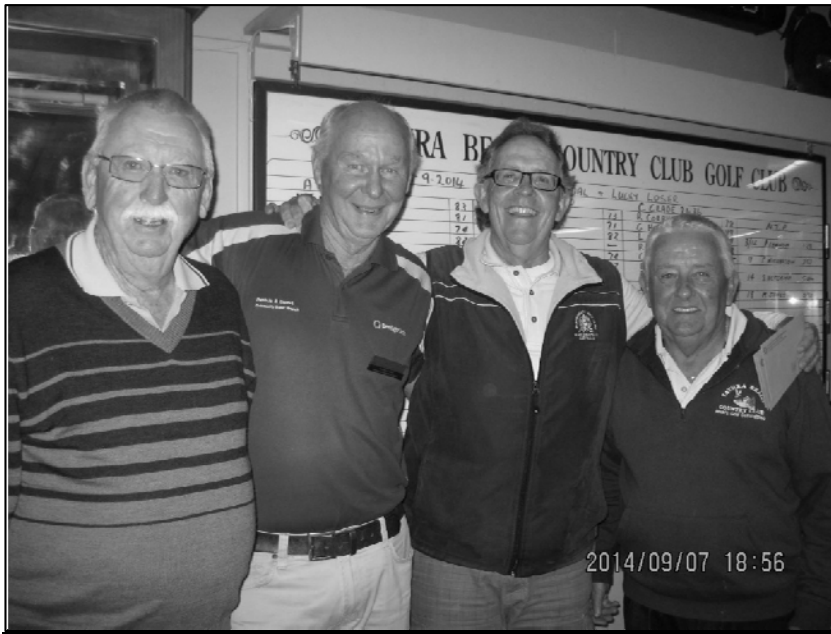
This is what drives each and every one of our people and we invite you as **Community Bank**[®] company shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

I am proud to be given an opportunity to work with your team of dedicated, professional and talented staff and Directors.

Your **Community Bank**[®] branch has delivered an outstanding set of results in the past financial year and I would like you to join with me in congratulating your team on a great past year.

Jim Crawford
Regional Manager South East NSW

Support for the Community



Sponsorship and donations program

The Board is especially proud of its sponsorship program, which has supported numerous local community groups and causes since the company was established. As the company's business levels have grown, so the sponsorship program has grown in size. Currently, the company advertises twice a year, inviting applications for sponsorship. Guidance on the application form and the company's sponsorship policy are available from the Board's Sponsorship subcommittee.

During the financial year ending 30 June 2014, the company paid:

- a total in excess of \$140,000 in sponsorships and other donations to many and varied community groups and causes,
 - including \$100,000 to the *Community Enterprise Foundation™*, to be invested initially and then used as future contributions to worthy community causes.

Pambula Community Office

The company has established a small office, centrally located in Pambula, which functions as the company's registered office. When it is not in use for company business, it can be made available without charge for small community groups to use as a meeting room. Contact the Company Secretary for further information.

Free Wifi service

As a service to the local community and the wider travelling public, the company has funded the installation of free public Wifi for the Pambula CBD and industrial areas. The company will continue to provide this service at no charge to the general public. The service is much appreciated and is generating significant goodwill for the company.

Corporate Governance Statement

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

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

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

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

Identifying and managing business risks

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

Independent professional advice

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

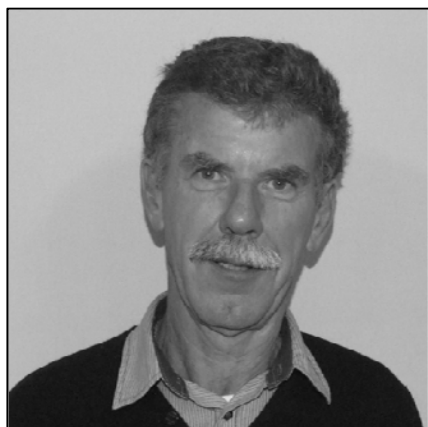
Communication with shareholders

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

Communication with shareholders is achieved through the distribution of the following information:

- The Annual Report
 - Available to the market and all shareholders on the company's page within the *Bendigo and Adelaide Bank* website (search for *Pambula Community Bank*, then *Investor Relations*)
 - Hard copies may also be collected at the Pambula Community Bank® Branch
- The Annual General Meeting
- Newsletters distributed quarterly by mail or email

Director Profiles



**Wayne Robert Matthews,
Chairman**

I am currently retired, but assist family members running several businesses. My most recent full time employment was as CEO of a family company that manufactured transportable homes. This business employed 45 people and was 20 years old when we sold it. I also spent many years in the Army Reserve, finishing as a Second Lieutenant. I am a member of the *Rotary Club of Pambula* and recently received the President's Award.



**Lyndon Daryl Lewis,
Deputy Chairman**

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

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

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

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



**Janet Patricia Brandon,
Company Secretary**

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

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

- *Sapphire Coast Anglican Parish*, as Treasurer
- *Pambula Aquatic Centre*, as Secretary and Public Officer
- *Sapphire Aquatic Ltd*, as Director and Public Officer

- *Rotary Club of Pambula*, as Secretary and then President
- *Community Carers Accommodation South East*, as founding President and current Vice President
- *Anglicare Regional Alliance*, as emergency relief worker

I am an elected Trustee of the *Anglican Diocese of Canberra & Goulburn Property Trust*, a corporate body which is responsible for the management and investment of the financial and real estate assets held by the Diocese.



**Colin Robert Dunn,
Treasurer**

Currently a retired academic, I am a Certified Practising Accountant, and hold qualifications in economics and commerce, secondary teaching and computing.

I have worked as a senior lecturer at the RMIT University School of Management and in teaching curriculum development, school management, and policy with the Victorian and Federal governments.

With strong interests in business development and entrepreneurship, I have been:

- President of the Small Enterprise Association of Australia and New Zealand,
- President of the International Council for Small Business, and
- Treasurer/Secretary of the Australasian Institute of Enterprise Facilitation.

Other interests include community work, especially with the *Rotary Club of Pambula* (as Treasurer, Secretary and President).

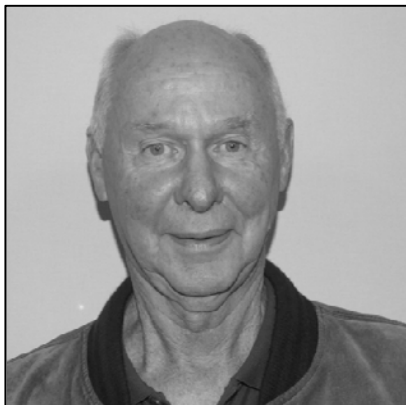


**Russell John Fitzpatrick,
Director**

I am currently active in a number of roles across the local community:

- Deputy Mayor, *Bega Valley Shire Council*
- Life Member, Group 16 Rugby League and Merimbula/Pambula Minor Rugby League
- Board Member, *Southern NSW Health Board*
- Board Member, *Regional Development Australia – Far South Coast Region*
- Chairman, *Pambula Sporting Complex Committee*
- Chairman, *Pambula Show Society*
- Delegate, *Country Rugby League of NSW*
- Selector, NSW Country Under 18s

On the professional side, I am a former Bank Manager with 25 years experience in the banking and finance industries. As a small business operator, I owned and ran a hotel for ten years. I am currently the administration manager for a major local transport company.



**Stephen John Goodchild,
Director**

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

I have lived and taught in most areas of the State, with 20 of those years as a Primary School Principal.

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

I have lived in the local area for some 30 years, and during this time I was Principal at Wyndham and Wolumla Schools and IT Teacher/Manager at Merimbula School.

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

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



**Anne Elizabeth Allamby,
Director**

Currently occupied with the care of two young children, six years and four years old, I am involved weekly as a local volunteer at the local primary school and also as a member of the local Preschool Association. I have formerly been employed as a Director of a private company, and in small business managerial roles in industries as diverse as fashion design and retail, allied health, and most recently interior and cabinet design for a local joinery.

I was born in Bega and raised in Merimbula. I completed a Bachelor of Design at UTS in Sydney and worked in Sydney and Melbourne for a number of years, finally resettling in Pambula.

My interests include involvement with the local Anglican Parish (including teaching Sunday School) and with music. I have worked as a tutor in clarinet, piano and music theory, have been musical director of local theatre productions and have sat on the committees of the Forest Band Society Inc, and the Sapphire Coast Music Society.

I am passionate about keeping our local communities self-sufficient and economically sustainable and believe we should embrace the new (eg technology, social networking etc), to help preserve what we value about a traditional "country community" way of life.

Pambula & District Community Development Limited

Financial Statements

as at

30 June 2014

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 2014.

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: Business owner

Wayne Matthews is the owner manager of a Caravan Park in Merimbula and previously was CEO of a family company that manufactured transportable homes. This business employed 45 people and was 20 years old when it was sold. Wayne is a member of the *Rotary Club of Pambula* and recently received the President's Award.

Interest in shares: 11,001

Colin Robert Dunn

Treasurer

Occupation: Retired

Colin is a Certified Practising Accountant (CPA) and former Senior Lecturer (Business Entrepreneurship) RMIT University. He has been the President of the International Council for Small Business (1995/96) and President, Small Enterprise Association of Australia and New Zealand. Colin is a member of the Rotary Club of Pambula and has previously been the Treasurer, President and Secretary.

Interest in shares: Nil

Lyndon Daryl Lewis

Deputy Chairman

Occupation: Small business owner

Lyndon has held a number of senior management and director positions in transport, aluminium, distribution, retail, electronics, recording, musical and manufacturing industries. His qualifications are in electronic technology, marketing, sound and recording engineering (RMIT) and design drafting.

Interest in shares: 5,000

Russell John Fitzpatrick

Director

Occupation: Manager - Transport

Russell is active in a number of roles across the local community including, currently, as Deputy Mayor, *Bega Valley Shire Council*. He is a former Bank Manager with 25 years experience in the banking and finance industries. As a small business operator, he owned and ran a hotel for ten years. He is currently administration manager for a major local transport company.

Interest in shares: Nil

Janet Patricia Brandon**Director/ Secretary**

Occupation: Retired

Janet was a career Federal public servant in the *Department of Foreign Affairs and Trade* with professional experience that included policy and program management, financial operations, consular and passport operations, property, security and human resources.

Since her retirement, Janet has had an active involvement in a wide range of community organisations and activities in the local area including *Pambula Aquatic Centre*, as Secretary and Public Officer and *Community Carers Accommodation South East*, as founding President and current Vice President

Interest in shares: 3,000

Stephen John Goodchild**Director**

Occupation: Retired small business owner

Stephen's early career was in engineering and banking and then with the Department of Education NSW for some 40 years as a primary school teacher and then Principal.

Since retiring, Stephen and his wife Jill owned and operated a local "Bed & Breakfast" business and continued with his other interests of information technology, web design, mathematics coaching, photography, golf and community work generally.

Stephen has had a long association with Rotary and has served on the Board of Directors of the Rotary Club of Pambula for most of that time and has held the position of President twice and Assistant District Governor for three years.

Interest in shares: Nil

Anne Elizabeth Allamby**Director (Appointed 28 November 2013)**

Occupation: Mother/Community Volunteer

Anne has recently been employed as a Director of a local private company and has had various managerial roles in small business in industries as diverse as fashion design and retail, allied health, and most recently, interior and cabinet design for a local joinery.

Currently occupied with the care of two young children, six years and four years old, Anne is involved weekly as a local volunteer at the local primary school and as a member of the local Preschool Association.

Interest in shares: 1,000

Darryl Watts**Director/ Secretary (Resigned 27 Nov 2013)**

Occupation: Retired

Darryl is a retired business executive with over 32 years experience with 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.

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Janet Brandon. Janet was appointed to the position of secretary on 29 November 2012.

Qualifications, experience and expertise: 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 Sapphire Aquatic Limited. Prior to Janet being appointed to the role Darryl Watts was the company secretary.

Principal Activities

The principal activities of the company during the financial year were 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 Jun 14	Year ended 30 Jun 13
\$	\$
95,405	148,354

Remuneration report

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

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Wayne Robert Matthews	11,001	-	11,001
Colin Robert Dunn	-	-	-
Lyndon Daryl Lewis	5,000	-	5,000
Russell John Fitzpatrick	-	-	-
Janet Patricia Brandon	1,500	1,500	3,000
Stephen John Goodchild	-	-	-
Anne Elizabeth Allamby (<i>Appointed 28 Nov 2013</i>)	1,000	-	1,000
Darryl Watts (<i>Resigned 27 Nov 2013</i>)	5,501	-	5,501

Community Bank® Directors' Privileges Package

The board has adopted the Community Bank® Directors' Privileges package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank® branch. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

The total benefits received by the Directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2014 (2013: \$nil).

Dividends

Year ended 30 June 2014

	Cents	\$
Dividends paid in the year	5	42,350

Significant changes in the state of affairs

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

Events since the end of the financial year

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

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.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

Board Meetings**Attended**

	<u>Eligible</u>	<u>Attended</u>
Wayne Robert Matthews	11	9
Colin Robert Dunn	11	11
Lyndon Daryl Lewis	11	11
Russell John Fitzpatrick	11	9
Janet Patricia Brandon	11	9
Stephen John Goodchild	11	8
Anne Elizabeth Allamby (<i>Appointed 28 Nov 2013</i>)	7	6
Darryl Watts (<i>Resigned 27 Nov 2013</i>)	4	4

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the board of directors at Pambula, New South Wales on 19 September 2014.



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, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Andrew Frewin Stewart
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Dated: 19 September 2014

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 201

	Notes	2014 \$	2013 \$
Revenue from ordinary activities	4	1,033,582	876,995
Employee benefits expense		(460,499)	(354,416)
Charitable donations, sponsorship, advertising and promotion		(175,052)	(76,160)
Occupancy and associated costs		(64,212)	(51,290)
Systems costs		(22,494)	(20,881)
Depreciation and amortisation expense	5	(32,995)	(37,837)
Finance costs	5	(1,026)	(1,114)
General administration expenses		(137,082)	(114,631)
Profit before income tax expense		140,222	220,666
Income tax expense	6	(44,817)	(72,312)
Profit after income tax expense		95,405	148,354
Total comprehensive income for the year		95,405	148,354
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	22	11.26	19.36

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 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	420,479	371,573
Trade and other receivables	8	91,442	80,334
Total Current Assets		511,921	451,907
Non-Current Assets			
Property, plant and equipment	9	163,556	136,765
Intangible assets	10	60,675	9,166
Deferred tax assets	11	15,558	60,375
Total Non-Current Assets		239,789	206,306
Total Assets		751,710	658,213
LIABILITIES			
Current Liabilities			
Trade and other payables	12	16,895	38,462
Borrowings	13	12,605	6,924
Provisions	14	30,062	19,719
Total Current Liabilities		59,562	65,105
Non-Current Liabilities			
Borrowings	13	44,169	7,409
Provisions	14	28,068	18,843
Total Non-Current Liabilities		72,237	26,252
Total Liabilities		131,799	91,357
Net Assets		619,911	566,856
Equity			
Issued capital	15	811,715	811,715
Accumulated losses	16	(191,804)	(244,859)
Total Equity		619,911	566,856

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
ABN 27 128 796 458
Statement of Changes in Equity year ended 30 June 2014

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	811,715	(350,863)	460,852
Total comprehensive income for the year	-	148,354	148,354
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,350)	(42,350)
Balance at 30 June 2013	811,715	(244,859)	566,856
Balance at 1 July 2013	811,715	(244,859)	566,856
Total comprehensive income for the year	-	95,405	95,405
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,350)	(42,350)
Balance at 30 June 2014	811,715	(191,804)	619,911

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
ABN 27 128 796 458
Statement of Cash Flows for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		1,110,412	942,068
Payments to suppliers and employees		(959,726)	(691,165)
Interest received		10,450	7,195
Interest paid		(1,026)	(1,114)
Net cash provided by operating activities	17	160,110	256,984
Cash flows from investing activities			
Payments for property, plant and equipment		(42,582)	(4,725)
Payments for intangible assets		(68,713)	-
Net cash used in investing activities		(111,295)	(4,725)
Cash flows from financing activities			
Proceeds/(Repayment) from borrowings		42,441	(5,838)
Dividends paid		(42,350)	(42,350)
Net cash provided by/(used in) financing activities		91	(48,188)
Net increase in cash held		48,906	204,071
Cash and cash equivalents at the beginning of the financial year		371,573	167,502
Cash and cash equivalents at the end of the financial year	7(a)	420,479	371,573

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 2014

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 amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

Adoption of new and amended accounting standards (continued)

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are 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 2013.

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®** branch 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.

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
- sales techniques and proper customer relations.

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

b) Revenue

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

Revenue calculation

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 (i.e. ‘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 (i.e. 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).

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.

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

De-recognition

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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of 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.

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 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.

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities

	\$ 2014	\$ 2013
Operating activities:		
- services commissions	1,023,550	868,865
Total revenue from operating activities	<u>1,023,550</u>	<u>868,865</u>
Non-operating activities:		
- interest received	10,032	8,130
Total revenue from non-operating activities	<u>10,032</u>	<u>8,130</u>
Total revenues from ordinary activities	<u><u>1,033,582</u></u>	<u><u>876,995</u></u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,260	3,771
- leasehold improvements	8,410	9,642
- motor vehicle	2,121	2,424
Amortisation of non-current assets:		
- franchise agreement	2,191	2,000
- franchise renewal fee	15,013	20,000
	<u>32,995</u>	<u>37,837</u>
Finance costs:		
- interest paid	<u>1,026</u>	<u>1,114</u>
Bad debts	<u>132</u>	<u>199</u>
Loss on disposal of asset	<u><u>4,991</u></u>	<u><u>-</u></u>

Note 6. Income tax expense

The components of tax expense comprise:

	\$ 2014	\$ 2013
- Movement in deferred tax	(3,775)	(2,333)
- Recoupment of prior year tax losses	48,592	74,645
	<u>44,817</u>	<u>72,312</u>

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

Operating profit		140,222	220,666
Prima facie tax on profit from ordinary activities at 30%		42,067	66,200
Add tax effect of:			
- non-deductible expenses		2,750	6,600
- timing difference expenses		3,775	2,333
- other deductible expenses		-	(488)
		<u>48,592</u>	<u>74,645</u>
Movement in deferred tax	11	<u>(3,775)</u>	<u>(2,333)</u>
		<u>44,817</u>	<u>72,312</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	134,200	115,420
Term deposits	286,279	256,153
	<u>420,479</u>	<u>371,573</u>

Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand	134,200	115,420
Term deposits	286,279	256,153
	<u>420,479</u>	<u>371,573</u>

Note 8. Trade and other receivables

	2014 \$	2013 \$
Trade receivables	86,462	75,167
Other receivables and accruals	1,301	1,719
Prepayments	3,679	3,448
	<u>91,442</u>	<u>80,334</u>

Note 9. Property, plant and equipment

Plant and equipment		
At cost	65,758	59,523
Less accumulated depreciation	(35,203)	(30,585)
	<u>30,555</u>	<u>28,938</u>

Leasehold improvements		
At cost	141,774	141,774
Less accumulated depreciation	(59,323)	(50,913)
	<u>82,451</u>	<u>90,861</u>
Motor vehicle		
At cost	51,338	21,017
Less accumulated depreciation	(788)	(4,051)
	<u>50,550</u>	<u>16,966</u>
Total written down amount	<u>163,556</u>	<u>136,765</u>

Movements in carrying amounts:

Plant and equipment		
Carrying amount at beginning	28,938	29,191
Additions	6,235	3,453
Disposals	-	-
Less: depreciation expense	(4,618)	(3,706)
Carrying amount at end	<u>30,555</u>	<u>28,938</u>
Leasehold improvements		
Carrying amount at beginning	90,861	99,295
Additions	-	1,273
Disposals	-	-
Less: depreciation expense	(8,410)	(9,707)
Carrying amount at end	<u>82,451</u>	<u>90,861</u>
Motor vehicle		
Carrying amount at beginning	16,966	19,390
Additions	51,338	-
Disposals	(14,991)	-
Less: depreciation expense	(2,763)	(2,424)
Carrying amount at end	<u>50,550</u>	<u>16,966</u>
Total written down amount	<u>163,556</u>	<u>136,765</u>

Note 10. Intangible assets

	2014	2013
Franchise fee	\$	\$
At cost	21,453	10,000
Less: accumulated amortisation	(11,358)	(9,167)
	<u>10,095</u>	<u>833</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(91,667)
	<u>-</u>	<u>8,333</u>

Renewal processing fee		
At cost	57,260	-
Less: accumulated amortisation	(6,680)	-
	<u>50,580</u>	<u>-</u>
Total written down amount	<u>60,675</u>	<u>9,166</u>

Note 11. Tax

Non-Current:

Deferred tax assets		
- employee provisions	15,219	11,569
- tax losses carried forward	729	49,322
	<u>15,948</u>	<u>60,891</u>
Deferred tax liability		
- accruals	390	(516)
	<u>390</u>	<u>(516)</u>
Net deferred tax asset	<u>15,558</u>	<u>60,375</u>
Movement in deferred tax charged to statement of comprehensive income	<u>44,817</u>	<u>(2,333)</u>

Note 12. Trade and other payables

Trade creditors	1,483	3,160
Other creditors and accruals	15,412	35,302
	<u>16,895</u>	<u>38,462</u>

Note 13. Borrowings

Current:

Nissan Dualis Chattel Mortgage	-	6,924
Holden Trax MV Loan	12,605	-
	<u>12,605</u>	<u>6,924</u>

Non-Current:

	2014	2013
	\$	\$
Nissan Dualis Chattel Mortgage	-	7,409
Holden Trax MV Loan	44,169	-
	<u>44,169</u>	<u>7,409</u>

Nissan Dualis Chattle Mortgage was repayable monthly with the final instalment in June 2014. Interest was recognised at an average rate of 3.66%. The loan was secured by a fixed and floating charge over the company's assets.

Holden Trax MV Loan is repayable monthly with the final instalment due in June 2017. Interest is recognised at an average rate of 5.25%. The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:

Provision for annual leave	30,062	19,719
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Non-Current:

Provision for long service leave	28,068	18,843
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Note 15. Contributed equity

847,009 Ordinary shares fully paid (2013: 847,009)	847,009	847,009
Less: equity raising expenses	(35,294)	(35,294)
	811,715	811,715

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 231. As at the date of this report, the company had 249 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	2014	2013
	\$	\$
Balance at the beginning of the financial year	(244,859)	(350,863)
Net profit from ordinary activities after income tax	95,405	148,354
Dividends paid or provided for	(42,350)	(42,350)
Balance at the end of the financial year	<u>(191,804)</u>	<u>(244,859)</u>

Note 17. Statement of cash flows

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

	2014	2013
	\$	\$
Profit from ordinary activities after income tax	95,405	148,354
Non cash items:		
- depreciation	15,791	15,837
- amortisation	17,204	22,000
Changes in assets and liabilities:		
- increase in receivables	(11,108)	(19,464)
- decrease in other assets	44,817	72,312
- increase/(decrease) in payables	(21,567)	9,236
- increase in provisions	19,568	8,709
Net cash flows provided by operating activities	<u>160,110</u>	<u>256,984</u>

Note 18. Leases

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	43,440	31,909
- between 12 months and 5 years	148,420	13,295
- greater than 5 years	-	-
	<u>191,860</u>	<u>45,204</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease is due for renewal on 30 November 2018 and has two 5 year extension options available.

Note 19. Auditor's remuneration

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

- audit and review services	3,850	3,600
- share registry services	2,478	2,978
- non audit services	2,260	1,880
	<u>8,588</u>	<u>8,458</u>

Note 20. Director and related party disclosures

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

Note 21.	Dividends paid or provided	2014	2013
		\$	\$
a.	<i>Dividends paid during the year</i>		
	Current year dividend		
	Unfranked dividend - 5 cents (2013: 5 cents) per share		42,350
b.	<i>Dividends proposed and not recognised as a liability</i>		
	Current year final dividend		
	Unfranked dividend - 7.5 cents (2013: nil cents) per share		63,526

Note 22. Earnings per share

(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	2014	2013
		\$95,405	\$148,354
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2014	2013
		847,009	766,474

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

Registered Office
55A Toalla Street
Pambula NSW 2549

Principal Place of Business
55A Toalla Street
Pambula NSW 2549

Note 27. Financial instruments**Financial Instrument Composition and Maturity Analysis**

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

well as the settlement period for instruments with a fixed period of maturity and interest rate.												
Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	133,074	152,169	286,279	256,153	-	-	-	-	1,125	3,251	2.42	3.07
Receivables	-	-	-	-	-	-	-	-	86,462	75,167	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	12,605	6,924	44,169	7,409	-	-	-	-	6.81	4.36
Payables	-	-	-	-	-	-	-	-	16,894	38,461	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014	2013
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	1,331	1,522
Decrease in interest rate by 1%	1,331	1,522
Change in equity		
Increase in interest rate by 1%	1,331	1,522
Decrease in interest rate by 1%	1,331	1,522

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

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2014 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 19th of September 2014.

Notes...