Bendigo Bank
Bigger than a bank

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

2019

ANNUAL REPORT

Pambula & District
Community Development Limited
"Your Bank"

Pambula & District
Community Development Limited

Franchisee Pambula and Bega

Community Bank Branches, Bendigo Bank

ABN 27 128 796 458

Annual Report 2019

Presented to the **Annual General Meeting**,
Wednesday 20 November 2019, 7.00pm
at the Pambula Merimbula Golf Club

Contents

Chairman's Report

This year has been another great year for Pambula and District Community Development Limited (our company).

Financial Performance

Our monthly gross profit has averaged $139,000 over the past year and net profit averaged just over $15,000 or just over 11%. Right on budget! Footings, the aggregate of deposits and loans for our two franchises, continues to sit close to $200 million. This is the key for our company. We need to at least maintain our level of footings and that means growing our business to ensure we cover the loans that are being paid out by our customers. The message has to get out into the community.

The Bendigo Bank Community Bank network came out relatively unscathed from the royal commission and our integrity remains intact and clearly an obvious choice for banking services by those who have been horrified by the stories that emerged. People need to have confidence in their financial service providers and clearly people in the Valley have growing confidence in the local community banks.

Community Engagement

Our Community Engagement Committee (CEC), under the stewardship of Garry Hetherington, has responsibility for advising the board on how we need to promote our banking services in a way that brings in new customers and new products. Currently we have over 4500 customers, or around 13% of the population of the Bega Valley Shire. Not bad for the new kid on the block! This year the CEC and our Company has had the support of a marketing expert and the company now has a marketing plan and great direction for our marketing endeavours.

Our sponsorship program has continued to be a strong feature of community engagement and elsewhere in this report you can see the list of sponsors we supported this year. The key to this generosity, of course, is the fact that the community is choosing to bank with one of our franchises rather than with a competing bank. Every time a person chooses to borrow from one of our franchises, for example, half of the after-tax profit from that transaction goes back into our community through sponsorship or donations. So the message is clear and you can help. If a person is interested in growing and supporting our community and has some banking to do, then encourage them to consider what we offer.

This year your Company has established some significant strategic relationships with local community organisations. Pambula Surf Life Saving Club is a vital part of our community helping us feel safe on the beach and providing essential training in the surf for our youth. Each year, for three years, the Club receives $10,000 from our company to assist them in their endeavours. The Sapphire Coast Youth Arts and Sports Development Fund provides support to young people who are excelling in sports or arts but can't get to events due to lack of resources. This fund receives $9000 over three years. And the Pambula Panthers are receiving significant support from the Company. This totals $8500 over 3 years.

Customer Service

Our staff under the guidance of our manager, Philip Smith, have continued to provide the high-quality customer service and financial support that the community requires. It is great to walk into our branches in Bega and Pambula to be greeted by smiling faces asking 'how can I help' rather than to be directed to a machine on the wall. Our staff are exceptional at customer service and our Board members are continually being complemented on this by community members.

New Board Member

This year we welcomed a new Board member. April Merrick has considerable high level Board experience and governance qualifications and is already providing quality advice and support to board members.

Colin Dunn
Chairman

Finance Committee Chair's Report

Finance Report

The company's financial performance in 2018-19 was in line with expectations, with a profit before provision for income tax of $255 605, and an after provision for income tax net profit of $180 454.

Revenue

Revenue from ordinary activities grew by 3.9% in 2018-19 ($1.713m) . Revenue growth was mainly due to the growth of the Bega branch. Having reached a level of maturity (celebrating ten years of operation during the year), the Pambula branch is now challenged to replace run-off as customers pay off their loans. Pambula branch revenue constitutes 55.0% of total revenue; Bega Branch constitutes 42.2% of total revenue; and Interest and sublet revenue constitute 2.8% of total revenue.

Expenses

Four expense categories – Employment benefits expense, Charitable donations, sponsorship, advertising and promotion, Systems costs and Depreciation and amortisation expense – were greater than the previous year.

Employment benefits expense reflects planned recruitment to ensure maintenance of adequate staffing levels at both branches. This is also in keeping with your Board's commitment to maintaining a high standard of customer service.

The increased Depreciation and amortisation expense was primarily driven by the renewal of the franchise agreement during the year.

Two expense categories – Occupancy and associated costs and General administration expenses were less than the previous year.

The decrease in General administration expenses was predominantly due to the reversal of a provision for bad debt associated with the Bega Branch sub tenancy.

Other changes in expense categories were not significant.

Profit
Profit after provision for income tax for 2018/2019 was $180 454, a decrease of $39 016 on the previous year (although an increase of $13 397 on the 2016/2017 year), and largely due to the increase in employment costs.

Financial Position
Net assets rose by $95 753 (8.2%) in 2018-19, with the dominant changes being the increase in cash and the increase in intangible asset (franchise renewal fee). The cash total of $844 141 at the end of year was the highest end of year level in the company's history.

Dividend
As a result of the performance of the company for the financial 2017/18 year, the Board determined that a ten cents per share (five cents fully franked tax paid to 27.5c per share and five cents unfranked) be paid to shareholders in December 2018.

Board Financial Governance Tools - Risk Management, Investment Strategy and Delegation Instrument

During 2018/19, the Board has used its risk management framework and cash management policy to ensure funds security, adequate ready cash reserves and returns to shareholders and the local community.

The Board has also used its investment criteria framework to guide consideration of investments, and its delegation instrument has been used to ensure timely and accountable decision-making.

Introduction of a Finance Committee
During the 2018/2019 year, the Board agreed to introduce a Finance Committee, replacing the role of Treasurer with that of Chair of the committee. The structure is considered more consistent with the entity being a company rather than a club or not for profit association.

Jenny Symons
Chair Finance Committee

Senior Managers Report

We have again recorded a successful year with continued growth in our business . Our Bega office will soon celebrate its fourth birthday and Pambula celebrated ten years of successfully servicing the community with a record dividend payment to our local shareholders

Our continued success remains dependant on our unmatched customer service, high level of community support through our local sponsorship and our competitive products . Through our local team of staff and directors we continue to pursue expansion of our market share and grow our ability to contribute to the community and shareholders

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

I look forward to sharing our continued success for the 2019/2020 financial year

Philip Smith
Senior Manager
Pambula & Bega Community Bank Branches

Contributions to our Community

Bruce Hetherington Memorial Community Scholarship

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

Alicja Borowska

Alicja is a mature aged student with a young family living in Bermagui. She commenced study in July 2017 and has completed most of the core business subjects while maintaining a Distinction average.

Last year she applied for a semester student exchange program for the UOW Spring 2019 session and was successful in receiving an offer to study a semester at the Jagiellonian University in Krakow, Poland. With the help of our scholarship was excited to accept this incredible opportunity.

Alicja believes her time at Jagiellonian will greatly expand her technical knowledge, enhance her degree and beneficial to her future career in business.

Christmas Hampers

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

Ricky's Place,

Anglican Parish

Sapphire Community Christmas Lunch

Sponsorship recipients 2018-2019

1st Bega Scout Group
2A Bega Girl Guides
Bega Amateur Swimming Club
Bega Valley Motorcycle Expo
Bega Valley SPAN
Cobargo District Museum
Dreamcoat Theatre Production
Imlay House Auxiliary
Lions Club Pambula
Merimbula Basketball Association
Pambula Business Chamber
Pambula Cricket Club Inc.
Pambula Fishing Club Inc.
Pambula Men's Shed
Pambula Village Garden
Rotary Club Pambula
Sapphire Coast Orchid Club
Sapphire FM Community Radio
Shoalhaven Street Rodders (Eden Whale Festival)
RSPCA Sapphire Coast Branch
Spectrum Theatre Group
Two Sheds Workshop Women & Kids
Wallagoot Lake Boat Club
Wyndham Pony Club
Wyndham Progress Association

Strategic Relationships

Pambula Surf Life Saving Club.
$10,000 a year for three years

The Sapphire Coast Youth Arts and Sports Development Fund
$3000 a year for 3 years

Pambula Panthers are receiving significant support from the Company
$8500 over 3 years.

Dividends

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

Last year we returned a 10 cents fully franked dividend to our Shareholders which included a 5 cent Celebratory Birthday Bonus, acknowledging 10 very successful years of Pambula Community Bank

Continuing to 'build the community balance sheet'

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

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

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
Finance Committee
Business Development and Marketing
Community Engagement and Sponsorship
Governance, Audit and Risk

Identifying and managing business risks

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

Independent professional advice

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

Communication with shareholder

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

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

The Annual Report

This is made available to the market and all shareholders on the company's web pages within the *Bendigo and Adelaide Bank* website (search for *Pambula Community Bank*, then *Investor Relations*). Hard copies may also be collected at the Pambula & Bega Community Bank Branches.
Company Announcements – released to the media and also made available on the company's web pages The Annual General Meeting papers and newsletter distributed by mail to shareholder

Partners in success

Chartered Accountants

Pambula & District Community Development Limited

ABN: 27 128 796 458

Financial Statements

30 June 2019

Pambula & District Community Development Limited
Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

Directors

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

Colin Robert Dunn
Chairman
Occupation: Retired academic
Qualifications, experience and expertise: Bachelor of Commerce and Economics, Trained Secondary Teachers Certificate (University of Melbourne), Grad. Dip. Commuters in Education (U. Canberra), Certified Practicing Accountant (CPA). Retired academic (RMIT University, Senior Lecturer (Business) 2000-2008). President - Rotary Club of Pambula; Member - Pambula Hospital Community Engagement Committee; Member - Community Consultation Committee - South East Health; Member - Bega Shire Council Access and Inclusion Committee.
Special responsibilities: Chairman; Ex-officio on all committees
Interest in shares: Nil

Lyndon Daryl Lewis
Deputy Chairman
Occupation: Semi-retired and business owner
Qualifications, experience and expertise: Now semi retired as a business owner, he has held a number of senior management and director positions in fields ranging from transport, aluminium distribution & design, retail, electronics, recording, musical and manufacturing industries. His qualifications include electronic technology, marketing, music, sound recording (RMIT) and design drafting. Along with my wife Kerry, I am the founder and operator of Sapphire Coast Rock 'N' Roll, an annual dance festival designed to boost tourism and the economy in the local area.
Special responsibilities: Public Officer, HR Committee, Community Engagement Committee, Business Development Committee, Governance Committee.
Interest in shares: 5,001

April Merrick
Secretary *(Appointed 3 April 2019)*
Occupation: Grant Management Officer
Qualifications, experience and expertise: April is the principal consultant of Organic Governance and is the Grants Management Officer at the Bega Valley Shite Council. April was previously chair of the NSW Rural Women's Gathering (2016-2018), Non executive Director of Coliban Water Corporation (2012-2017) and Executive Officer of Eucalypt Australia (2011-2014. April is a graduate of the Australian Institute of Company Directors and has a Bachelor in Agricultural Science.
Special responsibilities: Chair of Governance, Audit and Risk Committee, Finance Committee, Company Secretary Community Engagement Committee
Interest in shares: Nil

Jennifer Eleanor Symons
Treasurer
Occupation: Project Manager
Qualifications, experience and expertise: Jennifer is currently a Project Manager and is a board member of two government boards and the Chair of one government board. She holds a Bachelor of Arts, Applied Science and Commerce and is a Member of the Australian Institute of Company Directors.
Special responsibilities: Treasurer, HR Committee, Governance Committee
Interest in shares: Nil

Directors *(continued)*

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

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

Wayne Robert Matthews
Director *(Resigned 2 April 2019)*
Occupation: Retired
Qualifications, experience and expertise: Wayne has run family businesses most of his working life. HIs last business was a large manufacturing business which employed 45 people. He has a long military career involving both full and part time roles. The latter years was in leadership roles.
Special responsibilities: Chairperson of Business and Development Committee
Interest in shares: 6,001 outright 18,000 held by companies he has invested in

Darryl Watts
Secretary *(Resigned 3 April 2019)*
Occupation: Retired Business Executive
Qualifications, experience and expertise: 42 years business experience managing many diverse retail/ service businesses. 20 years Woolworths supermarkets (Regional Manager) owned and operated his own supermarket. Regional Manager Davids Distribution Ltd, National Operations Manager Harris Farm Markets, Victoria State Manager Metcash Dist (IGA) South Australian State Manager Metcash Dist (IGA). National Operation Manager Campbells Cash Carry, Fellow Australian Institute of Management, long term director Pambula and District Community Development Ltd. Original Member of steering committee to establish Pambula and District Community Bank. Current company Secretary.
Special responsibilities: Company Secretary *(Resigned 3 April 2019)*
Interest in shares: Nil

Directors *(continued)*

Janice Faye Southcoat
Director *(Resigned 9 January 2019)*
Occupation: Retired
Qualifications, experience and expertise: Employed as Customer Service officer at Commonwealth Bank prior to retirement. Worked at ATO as a Small Business consultant. NRMA - as Customer Service consultant. Country support group officer, Facilitator/Trainer for Country network in NSW. Manager of Country Service Centre in Blue Mountains. Volunteered with Red Cross Blood Bank in ACT. Volunteer with Campbell Page with their Volunteer Home Visiting Service in Bega Valley. Member of Bega Rotary Club where she has held positions as youth Director. Club president & Assistant District Governor.
Special responsibilities: Chairperson of HR Committee, Community Engagement Committee
Interest in shares: Nil

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 April Merrick. April was appointed to the position of secretary on 3 April 2019. April replaced Darryl Watts who resigned 3 April 2019, Darryl was appointed to the position 26 November 2015.

April is the principal consultant of Organic Governance and is the Grants Management Officer at the Bega Valley Shite Council. April was previously chair of the NSW Rural Women's Gathering (2016-2018), Non executive Director of Coliban Water Corporation (2012-2017) and Executive Officer of Eucalypt Australia (2011-2014. April is a graduate of the Australian Institute of Company Directors and has a Bachelor in Agricultural Science.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
180,454	219,470

Dividends	Year ended 30 June 2019 Cents	$
Dividends paid in the year	10	84,701

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.

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.

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	
	Eligible	Attended
Colin Robert Dunn	12	11
Lyndon Daryl Lewis	12	12
Jennifer Symons	12	11
April Merrick *(Appointed 3 April 2019)*	3	3
Russell John Fitzpatrick	12	12
Garry Bruce Hetherington	12	9
Darryl Watts *(Resigned 3 April 2019)*	10	8
Wayne Robert Matthews *(Resigned 2 April 2019)*	9	6
Jan Faye Southcott *(Resigned 9 January 2019)*	7	5

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 6.

Signed in accordance with a resolution of the board of directors at Pambula, New South Wales on 13 September 2019.

Colin Robert Dunn, Chairman

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

As lead auditor for the audit of Pambula & District Community Development Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 13 September 2019

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services
Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Pambula & District Community Development Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,713,240	1,648,744
Employee benefits expense		(935,407)	(829,264)
Charitable donations, sponsorship, advertising and promotion		(89,920)	(72,269)
Occupancy and associated costs		(135,153)	(136,374)
Systems costs		(55,256)	(52,971)
Depreciation and amortisation expense	5	(71,667)	(58,079)
General administration expenses		(170,232)	(193,170)
Profit before income tax expense		**255,605**	**306,617**
Income tax expense	6	(75,151)	(87,147)
Profit after income tax expense		**180,454**	**219,470**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**180,454**	**219,470**
Earnings per share		¢	¢
Basic earnings per share	23	21.30	25.91

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	844,141	796,602
Trade and other receivables	8	176,731	163,243
Current tax asset	12	20,381	-
Total current assets		1,041,253	959,845
Non-current assets			
Property, plant and equipment	10	402,580	391,144
Intangible assets	11	116,487	23,377
Deferred tax asset	12	-	16,968
Total non-current assets		519,067	431,489
Total assets		1,560,320	1,391,334
LIABILITIES			
Current liabilities			
Current tax liabilities	12	-	37,335
Trade and other payables	13	111,435	79,101
Provisions	14	43,034	78,943
Total current liabilities		154,469	195,379
Non-current liabilities			
Deferred tax liabilities	12	5,710	-
Trade and other payables	13	92,458	-
Provisions	14	44,729	28,754
Total non-current liabilities		142,897	28,754
Total liabilities		297,366	224,133
Net assets		1,262,954	1,167,201
EQUITY			
Issued capital	15	811,715	811,715
Retained earnings	16	451,239	355,486
Total equity		1,262,954	1,167,201

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2017		811,715	178,366	990,081
Total comprehensive income for the year		-	219,470	219,470
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(42,350)	(42,350)
Balance at 30 June 2018		**811,715**	**355,486**	**1,167,201**
Balance at 1 July 2018		811,715	355,486	1,167,201
Total comprehensive income for the year		-	180,454	180,454
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(84,701)	(84,701)
Balance at 30 June 2019		**811,715**	**451,239**	**1,262,954**

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,851,909	1,797,408
Payments to suppliers and employees		(1,559,360)	(1,410,008)
Interest received		10,668	5,623
Income taxes paid		(110,188)	(96,438)
Net cash provided by operating activities	17	**193,029**	**296,585**
Cash flows from investing activities			
Payments for property, plant and equipment		(45,499)	(877)
Proceeds from sale of property, plant and equipment		12,727	-
Payments for intangible assets		(28,017)	(19,289)
Net cash used in investing activities		**(60,789)**	**(20,166)**
Cash flows from financing activities			
Dividends paid	21	(84,701)	(42,350)
Net cash used in financing activities		**(84,701)**	**(42,350)**
Net increase in cash held		**47,539**	**234,069**
Cash and cash equivalents at the beginning of the financial year		796,602	562,533
Cash and cash equivalents at the end of the financial year	7(a)	**844,141**	**796,602**

The accompanying notes form part of these financial statements

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces *AASB 111 Construction Contracts* , *AASB 118 Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

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

a) Basis of preparation *(continued)*

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

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

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including *AASB 117 Leases* and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branches. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $875,609.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

b) Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

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

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

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

b) Revenue *(continued)*

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

b) Revenue *(continued)*

Ability to change financial return (continued)

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

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

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 (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

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

k) Financial instruments *(continued)*

Derecognition

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit of loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

Impairment

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss.

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

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 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) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

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.

Note 2. Financial risk management *(continued)*

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.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2019.

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

(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.

Note 2. Financial risk management *(continued)*

Expected credit loss assessment for other customers (continued)

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 2019 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Note 3. Critical accounting estimates and judgements *(continued)*

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities

	2019	2018
	$	$
Operating activities:		
- gross margin	1,422,697	1,389,539
- services commissions	59,008	52,930
- fee income	124,057	120,005
- market development fund	60,000	60,000
Total revenue from operating activities	1,665,762	1,622,474
Non-operating activities:		
- interest received	10,668	5,623
- rental revenue	19,646	19,473
- profit on disposal of non-current assets	11,603	-
- other revenue	5,561	1,174
Total revenue from non-operating activities	47,478	26,270
Total revenues from ordinary activities	1,713,240	1,648,744

Note 5. Expenses

	2019	2018
	$	$
Depreciation of non-current assets:		
- plant and equipment	5,743	6,249
- leasehold improvements	16,818	17,533
- motor vehicle	10,378	10,268
Amortisation of non-current assets:		
- franchise agreement	5,703	3,577
- franchise renewal fee	17,564	11,452
- establishment fee	15,461	9,000
	71,667	58,079

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	54,570	96,377
- Movement in deferred tax	22,679	(9,230)
- Under/(Over) provision of tax in the prior period	(2,098)	-
	75,151	87,147

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

Operating profit	255,605	306,617
Prima facie tax on loss from ordinary activities at 27.5% (2018: 27.5%)	70,291	84,319
Add tax effect of:		
- non-deductible expenses	4,860	2,828
- timing difference expenses	(17,390)	9,230
- other deductible expenses	(3,191)	-
	54,570	96,377
Movement in deferred tax	22,679	(9,230)
	75,151	87,147

Note 7. Cash and cash equivalents

Cash at bank and on hand	381,826	344,242
Term deposits	462,315	452,360
	844,141	796,602

Note 7.(a) Reconciliation to cash flow statement	Note	2019	2018
		$	$
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		381,826	344,242
Term deposits		462,315	452,360
		844,141	796,602

Note 8. Trade and other receivables			
Trade receivables		151,447	133,353
Prepayments		13,699	12,813
Other receivables and accruals		836	836
Micro-credit loans receivable	9	10,749	16,241
		176,731	163,243

Note 9. Microfinance loan receivable			
Micro-credit loans receivable	8	10,749	16,241
Snow foundation contribution		(10,000)	(10,000)
Lighthouse Innovation Regional Micro-credit Program account balance		9,151	3,659
		9,900	9,900

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

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

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

Note 10. Property, plant and equipment	2019	2018
	$	$
Leasehold improvements		
At cost	450,034	450,034
Less accumulated depreciation	(134,870)	(118,052)
	315,164	331,982
Plant and equipment		
At cost	115,975	113,289
Less accumulated depreciation	(69,348)	(63,605)
	46,627	49,684

Note 10. Property, plant and equipment *(continued)*	2019	2018
	$	$
Motor vehicles		
At cost	42,813	51,338
Less accumulated depreciation	(2,024)	(41,860)
	40,789	9,478
Total written down amount	402,580	391,144

Movements in carrying amounts:

	2019	2018
Leasehold improvements		
Carrying amount at beginning	331,982	349,515
Less: depreciation expense	(16,818)	(17,533)
Carrying amount at end	315,164	331,982
Plant and equipment		
Carrying amount at beginning	49,684	55,056
Additions	2,686	877
Less: depreciation expense	(5,743)	(6,249)
Carrying amount at end	46,627	49,684
Motor vehicles		
Carrying amount at beginning	9,478	19,746
Additions	42,814	-
Disposals	(12,728)	-
Add: profit on disposal	11,603	-
Less: depreciation expense	(10,378)	(10,268)
Carrying amount at end	40,789	9,478
Total written down amount	402,580	391,144

Note 11. Intangible assets	2019	2018
Franchise fee		
At cost	49,861	27,887
Less: accumulated amortisation	(30,446)	(24,743)
	19,415	3,144
Establishment fee		
At cost	144,999	144,999
Less: accumulated amortisation	(144,999)	(129,538)
	-	15,461
Renewal processing fee		
At cost	167,124	57,260
Less: accumulated amortisation	(70,052)	(52,488)
	97,072	4,772
Total written down amount	116,487	23,377

Note 12. Tax

	2019 $	2018 $
Current:		
Income tax payable/(refundable)	(20,381)	37,335
Non-current:		
Deferred tax assets		
- accruals	798	2,098
- employee provisions	24,136	29,618
	24,934	31,716
Deferred tax liability		
- accruals	229	229
- property, plant and equipment	30,415	14,519
	30,644	14,748
Net deferred tax asset/(liability)	(5,710)	16,968
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	22,678	(9,230)

Note 13. Trade and other payables

	2019 $	2018 $
Current:		
Trade creditors	1,487	2,521
Other creditors and accruals	109,948	76,580
	111,435	79,101
Non-Current:		
Other creditors and accruals	92,458	-

Note 14. Provisions

	2019 $	2018 $
Current:		
Provision for annual leave	43,034	78,943
Non-current:		
Provision for long service leave	44,729	28,754

Note 15. Issued capital

	2019 $	2018 $
847,009 ordinary shares fully paid (2018: 847,009)	847,009	847,009
Less: equity raising expenses	(35,294)	(35,294)
	811,715	811,715

Note 15. Issued capital *(continued)*

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 235 shareholders.

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

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

Note 15. Issued capital *(continued)*

Prohibited shareholding interest *(continued)*

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

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

Note 16. Retained earnings

	2019	2018
	$	$
Balance at the beginning of the financial year	355,486	178,366
Net profit from ordinary activities after income tax	180,454	219,470
Dividends provided for and or paid	(84,701)	(42,350)
Balance at the end of the financial year	451,239	355,486

Note 17. Statement of cash flows

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

	2019	2018
Profit from ordinary activities after income tax	180,454	219,470
Non cash items:		
- depreciation	32,939	34,050
- amortisation	38,728	24,029
- profit on disposal of asset	(11,603)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,092	(14,481)
- (increase)/decrease in other assets	(107,234)	(9,230)
- increase/(decrease) in payables	110,211	20,578
- increase/(decrease) in provisions	(19,934)	22,230
- increase/(decrease) in current tax liabilities	(31,624)	(61)
Net cash flows provided by operating activities	193,029	296,585

Note 18. Leases

	2019	2018
	$	$
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	84,171	61,102
- between 12 months and 5 years	133,447	54,193
- greater than 5 years	-	-
	217,618	115,295

The Pambula property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease is due for renewal on 30 November 2023 and has a 5 year extension option available.

The Bega property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease is due for renewal on 1 August 2020 and has two 5 year extension options available.

Note 19. Auditor's remuneration

	2019	2018
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- share registry services	3,562	3,513
- non audit services	3,610	2,860
	11,772	10,773

Note 20. Director and related party disclosures

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

Colin Robert Dunn
Lyndon Daryl Lewis
Jennifer Symons
April Merrick *(Appointed 3 April 2019)*
Russell John Fitzpatrick
Garry Bruce Hetherington
Darryl Watts *(Resigned 3 April 2019)*
Wayne Robert Matthews *(Resigned 2 April 2019)*
Jan Faye Southcott *(Resigned 9 January 2019)*

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Note 20. Director and related party disclosures *(continued)*

Directors Shareholdings	2019	2018
Colin Robert Dunn	-	-
Lyndon Daryl Lewis	5,001	5,001
Jennifer Symons	-	-
April Merrick *(Appointed 3 April 2019)*	-	
Russell John Fitzpatrick	-	-
Garry Bruce Hetherington	-	-
Darryl Watts *(Resigned 3 April 2019)*	-	-
Wayne Robert Matthews *(Resigned 2 April 2019)*	-	18,000
Jan Faye Southcott *(Resigned 9 January 2019)*	-	-

Wayne Robert Matthews sold 18,000 shares during the period. There was no other movement in directors shareholdings during the year.

Note 21. Dividends provided for or paid

	2019 $	2018 $
a. Dividends paid during the year		
Current year dividend		
Fully franked dividend - 10 cents (2018: 5 cents) per share	84,701	42,350

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

	2019	2018
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	314,547	220,423
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(20,381)	37,335
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	294,166	257,758
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	294,166	257,758

Note 22. Key management personnel disclosures

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

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

Note 23. Earnings per share

	2019	2018
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	180,454	219,470
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	847,009	847,009

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

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

Note 27. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
55A Toalla Street Pambula NSW 2549	55A Toalla Street Pambula NSW 2549
	172 Carp St Bega NSW 2550

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 %	2018 %
Financial assets												
Cash and cash equivalents	369,953	335,934	462,315	452,360	-	-	-	-	11,873	8,308	1.28	0.80
Receivables	-	-	-	-	-	-	-	-	151,447	133,353	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	1,487	2,521	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 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	8,323	7,883
Decrease in interest rate by 1%	(8,323)	(7,883)
Change in equity		
Increase in interest rate by 1%	8,323	7,883
Decrease in interest rate by 1%	(8,323)	(7,883)

Pambula & District Community Development Limited
Directors' Declaration

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

In the opinion of the directors:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Colin Robert Dunn, Chairman

Signed on the 13th of September 2019.

Partners in success
Chartered Accountants
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03 5443 0344
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Independent auditor's report to the members of Pambula & District Community Development Limited

Report on the audit of the financial report

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

i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 13 September 2019

Joshua Griffin
Lead Auditor

Taxation

Business Services

Community Banking

Audit

Share Registry

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in success

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