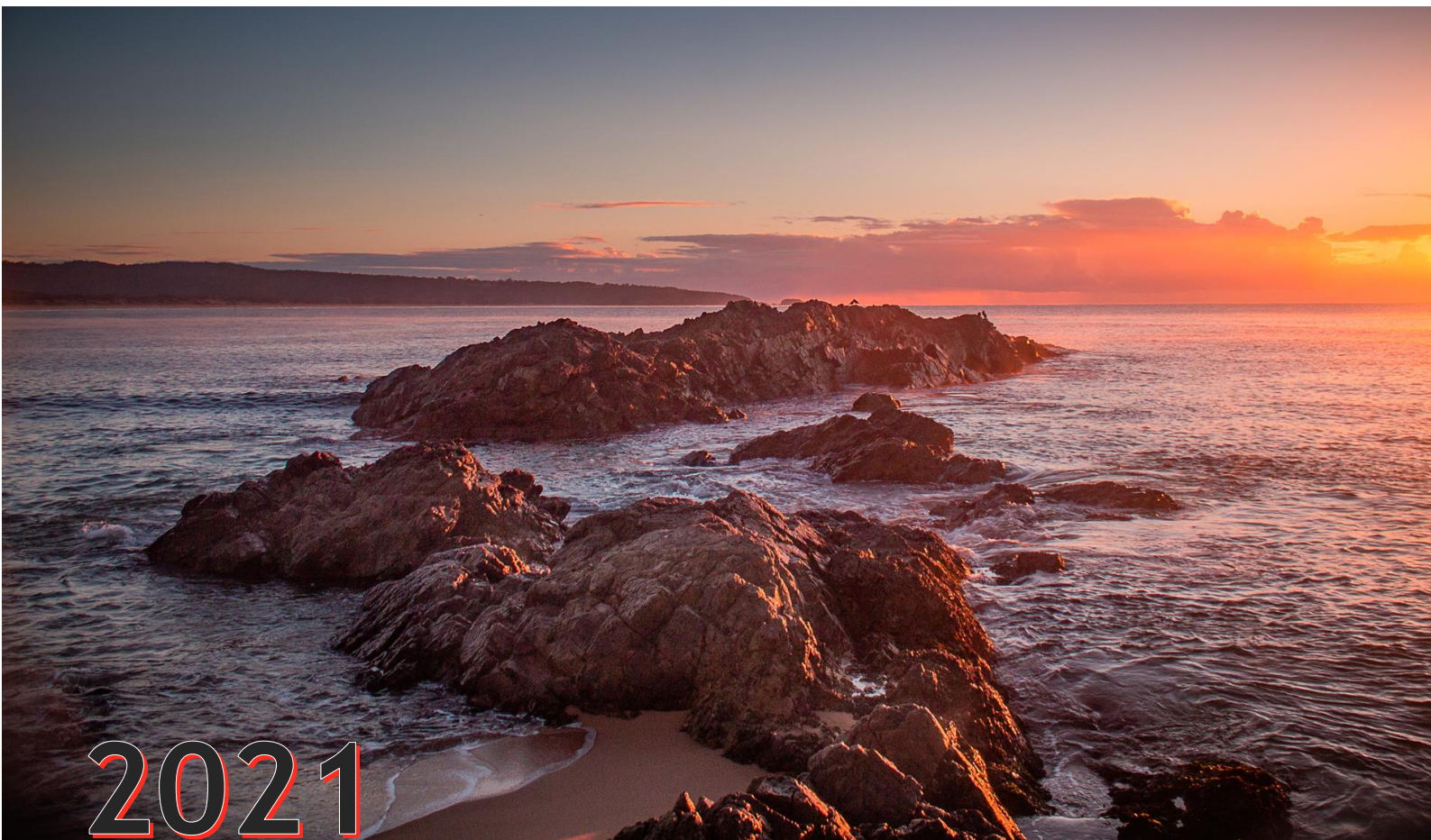




Community Bank **Pambula**
Community Bank **Bega**
ABN 27 128 796 458



2021

Annual Report



Pambula & District
Community Development Limited
"Your Bank"

Pambula & District
Community Development Limited
Franchisee Community Bank Branches, Bendigo Bank
Pambula and Bega
ABN 27 128 796 458

Annual Report 2021

Presented to the **Annual General Meeting**,
Thursday 25 November 2020, 6.00pm
at the Bega Valley Regional Learning Centre, Merimbula

Cover photo by Marcus Ward Curran
from the Sapphire Snappers Photography Club

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Chair's Report

It's a great pleasure to bring you the Chair's report for the 2020/21 year.

The company has delivered another solid performance in 2020/21, which, in the circumstances of the times is a particularly positive result.

Profit before tax was higher than the 2019/20 year – \$137 100 before tax profit (\$59 527 in 2019/2020) after a \$125 000 transfer to the Community Enterprise Foundation (\$150 000 in 2019/2020). The Board has again decided to issue a \$0.05 per share dividend (fully franked). In addition to the returns via dividends, a further \$238,000 was provided via sponsorships and donations across a diversity of community needs and interests – charities, schools, health and disability services, firefighting services, bushfire recovery initiatives, arts initiatives, sporting groups, service clubs, community, and special interest groups.

This year, more than ever, the Board has appreciated the commitment of the staff to the provision of high-quality bank services to our community. They have met the challenges of CoVID19, the aftermath of the bushfires and the changing bank environment with commitment and dignity. As the year progressed, the staff have had a deeper involvement in the Company's sponsorship rounds. The last month of the 2020/21 year saw Jessica Davis leave our staff, with the Board's thanks for her service. In the same month Deb Cusack joined the company in a role that will focus her impressive lending experience on increasing lending services, including mobile lending services.

With each change in personnel the Board and management review the company's needs in light of the evolving banking environment and the plans for staff development. The Board is well aware of the need to ensure the Company provides banking services the community needs and wants. Bendigo and Adelaide Bank have been evolving the impressive digital banking services and working with our Company to maintain and grow the local, personal relationships with the community.

During the 2020/21 year the Board took the decision to partially refurbish the Pambula Branch, which is rapidly approaching 15 years since commencement. The works will be undertaken in the first half of 2022 and will include an upgrade to a more contemporary service and presentation within the branch (modelled on that provided in the Bega branch).

In the meantime, 2020/21 saw both Branches change to the new Bendigo and Adelaide bank logo and general presentation with updated signage and staff uniforms. Importantly, both branches have transitioned to sourcing electricity from renewable energy with solar panels installed at both premises.

With regard to Board activities, I succeeded Colin Dunn as Chair in November 2020. Colin has transitioned to a new Board member role - Board Ambassador. Colin, along with the full Board has brought enormous energy and commitment to meeting the Company's objectives. Rob de Fegely joined the Board during the year, bringing extensive governance experience along with being a long-term resident of the region.

During the year, the Board has reduced the number of Board committees and introduced Board working groups with specific tasks. Also, the Board has adjusted its activities across the year as the impact of a Board performance consultation in January 2021 and the commencement of the new position of Executive Officer took effect. The Board was delighted to have Graham Stubbs' commence in the Executive Officer role in June 2021. The Executive Officer role was established after a review of the Board secretariat service was triggered by the departure of Kerry Lewis to the north coast of NSW late in 2020. Kerry's service was one of dedication and the Board appreciated the resulting reliability and confidence in compliance and support.

Across the second half of 2020/21 and beyond, the Board has been assessing the Company's position and investigating its next strategic and tactical phases. The beginning of the year delivered clarity as to how much immediate return of profits was needed for bushfire recovery support and how much should be targeted to the short and medium term. Those investigations included new locations for services, new ways to return funds to the community (including via trusts), and upgrades to the company structure. One of the outcomes of those investigations has been the development of a share buy back policy. At the end of 2020/21 the policy was still in draft form, although under progression. In February 2022, the Board will be holding a facilitated workshop to move the learning from the rest of the investigations and assessments to a plan for short and medium term investments.

Finally, my thanks go to all of our team at Pambula and District Community Development Ltd. It is not a large company, but it has people of great energy and commitment in all roles, who delight in contributing to the company's purpose in providing banking services to the district and then returning donations, sponsorships and profits to the same community.

Jenny Symons

Chair

Finance Committee Chair's Report

Finance Report

The company's financial performance in 2020/2021 was in line with budget in all major categories. Total income was 1.0% below budget, while total expenditure was 3.6% below budget for the year.

A further \$125,000 was transferred to the Community Enterprise Foundation to support additional community investment beyond the 2020/2021 financial year.

The profit before company tax was \$137,100 with a projected profit after tax of \$110,344. At its September 2021 meeting, the Board resolved to implement a 5 cents fully franked dividend.

Revenue

Revenue from ordinary activities grew by 0.36% in 2020-21 (\$0.006m), with gross profit averaging \$148 000 per month for the first six months of the year and \$135 000 per month for the second six months of the year.

The split of revenue between the two branches is more even than previous years, with the revenue from contracts with customers being 50.5% from Pambula and 49.5% from Bega. The relative contribution of Bega has increased as the Bega business matures. The Pambula branch celebrated twelve years of operation during the year, while Bega reached the five-year milestone in September 2020.

Expenses

Employment benefits expense decreased by 6.85% on the previous year.

Following the implementation of AASB 16 *Leases* in 2019/2020, the costs associated with leasing are spread across two categories in addition to occupancy and associated costs, namely depreciation and amortisation expense and finance costs. With other expenses in these categories included as well the comparative totals for these three categories are:

| | 2020/2021 | 2019/2020 | 2018/2019 |
|-------------------------------------|-------------------|-------------------|-------------------|
| Occupancy & Associated Costs | \$ 59,275 | \$ 68,443 | \$ 135,153 |
| Depreciation & Amortisation Expense | \$ 130,920 | \$ 126,445 | \$ 71,667 |
| Finance Costs | \$ 32,673 | \$ 34,054 | \$ - |
| Total | \$ 221,968 | \$ 228,942 | \$ 206,820 |

While overall costs have increased since the previous year, the impact of COVID-19 and cleaning costs continue.

The donation and sponsorship expenses dropped from the 2019/2020 level, which included major contributions in response to the summer bushfires of that year. In 2020/2021 another large sum was transferred to the Community Enterprise Foundation to enable the company to respond to community needs in future periods.

Other changes in expense categories were not significant.

Profit

Profit before tax for 2020/2021 was \$137,100. This was an increase of \$77,843 on the previous year. Without the transfer to the Community Enterprise Foundation, the profit before tax would have been \$125,000 higher.

Financial Position

Net assets increased by \$67,994 (5.5%) in 2020-21. The total current assets were \$71,237 (6.6%) greater at the end of 2020/2021 in comparison with the end of 2019/2020.

Dividend

In September 2021, the Board made the decision to pay a 5c fully franked dividend

Financial Governance – COVID19

During 2021, like in 2020, the Board has continued to receive briefings from Bendigo and Adelaide Banking regarding the impacts and projected impacts on banking. In assessing the risk to the company's financial performance and position, the Board has also monitored impacts on revenue and assessed potential risks to income flows. Throughout the year, the Board continued to use its risk management framework and cash management policy to ensure funds security and adequate ready cash reserves.

Financial Governance - Cash Management

During 2020/21, the Board continued to use its risk management framework and cash management policy to ensure funds security and adequate ready cash reserves.

Colleagues

My thanks go to my Board colleagues on the Finance Committee for their contributions during the year and to Gavin Bell and Leea Ferris for their continuing services to the company.

Tim Shepperd

Chair Finance Committee

Senior Managers Report

We have again recorded a successful year with continued growth in our business thanks to the support of our local community. Our Bega office celebrated its fifth birthday during the year, and Pambula celebrated 13 years of successfully partnering with the community

Our continued success remains dependent on our unmatched customer service, high level of community support through our local sponsorship and support programs, as well as the provision of a full range of 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 local community and local shareholders.

Key to our growth continues to be our ability to make local decisions through our local staff with the support of our Board of Directors, who also happen to be local. We continue to offer, unmatched face to face service at our Pambula and Bega offices, and now have the ability to travel to our customers with the addition of a mobile lending service. This is another example of how 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 2021/2022 financial year

Philip Smith

Senior Manager

Bendigo Community Bank Pambula & Bega

Supporting Our Community

Building the Community

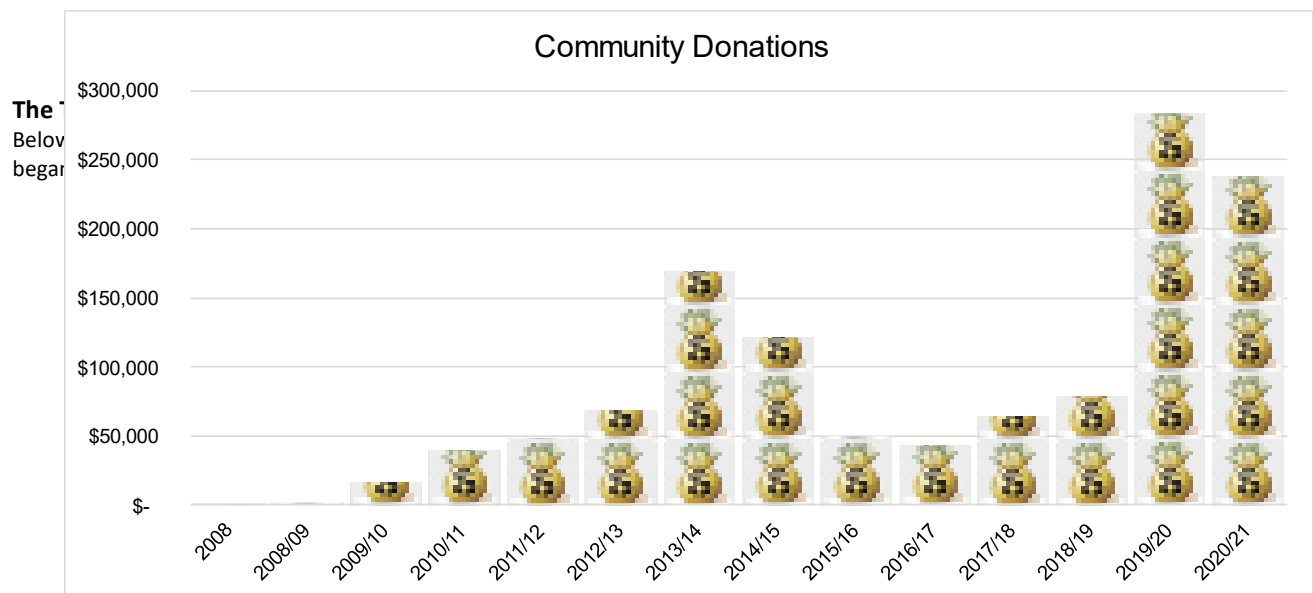
Since October 2008, when the Pambula franchise was opened, Pambula and District Community Development Limited (PDCDL) has, through sponsorship, donations and marketing, returned more than \$1.2 million back into the community. Types of organisations include historical societies, social clubs, business chambers, vehicle clubs, fire brigades, schools, Rotary and Lions clubs etc.

Strategic Relationships

Over the last 5 years PDCDL has developed a number of relationships with important local community organisations:

- *Pambula Surf Life Saving Club*: a three-year agreement whereby PDCDL provides \$10,000 per year in support of the training program.
- *Pambula Panther Football Club*: a five-year agreement worth \$13,500.
- *Sapphire Coast Arts and Sports Youth Development Fund*: PDCDL is to provide \$9000 over three year to support the Fund's financial assistance to disadvantaged youth on the Sapphire Coast.
- *Pambula United Football Club*: PDCDL is providing \$10,000 to upgrade the lighting for the Pambula soccer club to enable training to be undertaken safely on weeknights.
- *Eden Community Radio*: 2SEA operates out of Eden and the \$10,000 sponsorship is going toward maintenance of their technology.
- *Merimbula Sharks Basketball and Merimbula Netball*: the provision of \$26,000 for the lighting of their new development in Merimbula.
- *Twyford Hall*: PDCDL has provided support for the 2017 concert series designed to bring attention to the Twyford development.
- *University of Wollongong*: PDCDL provides \$2000 per annum in support of an annual scholarship program.

The contributions to these amazing local community organisations are only made possible by the fact that the Community banks are locally supported.



It looks a bit like a roller coaster but that is only because the Company has the ability to contribute funds to the Bendigo Bank's Community Enterprise Foundation (CEF) is a Charity managed by the Bendigo and Adelaide Bank on our behalf. The CEF provides us tax deductibility and manages transactions with community groups on our behalf. As well as donations and sponsorship paid directly to community organisations since 2008, we have placed \$100,000 (2013/14), \$150,000 (2019/20) and \$125,000 (2020/21) into the CEF which will be distributed into our community in the coming years.

The Reasons to Bank with Bendigo: Pambula & Bega

All our profits are returned to your local community

1. Form a local partnership with Australia's most credible bank
Owned locally to serve locally
- 2.
- 3.

| | | |
|--|---|--|
| | | |
| | | |
| | | |
| | | |
| Sponsorship/Donation recipients 2020-2021 | | |
| | | |
| Personal Growth Workshops | Pambula Panthers Australian Football Club | |
| Sapphire Coast | Pambula Rotary Skatefest | |
| Can Parish Bega | Rotary Club of Pambula | |
| Amateur Swimming Club | Sapphire Coast Anglican Parish | |
| Valley Suicide Prevention Action Network | Sapphire Coast Boardriders | |
| Opaka Bush Cottage Inc. | Sapphire Coast Netball | |
| Gate Rural Fire Service | Sapphire Coast Turf Club | |
| Try Women's Association | Sapphire Community Projects Inc. | |
| Coast Theatre Productions | South Coast Women in Agriculture | |
| Post Music Production | Tathra Community Garden | |
| Club of Bega | Thathra Country Club Ladies Golf | |
| Pambula Imlay Historical Society | The Disability Trust | |
| ic Tuition Programs | Towamba Rural Fire Brigade | |
| Pambula Business Chamber | Wallagoot Boat Club | |
| Pambula Fishing Club | Wyndham Pony Club | |

Christmas Hampers

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. The subcommittees are:

- Human Resources
- Finance
- 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 *Community Bank Pambula*, then *Investor Relations*). Hard copies may also be collected at the Community Bank Branches, Pambula & Bega. 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

Continuous improvement in governance

We are constantly reviewing our structure and methods and have in these disruptive times reviewed existing processes and frameworks and adopted some new practices which will remain under review; virtual Board and committee meetings, electronic approval of motions

Pambula & District Community Development Limited

ABN: 27 128 796 458

Financial Report

For the year ended

30 June 2021

Pambula & District Community Development Limited

Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during the financial year and to the date of this report are:

Jennifer Eleanor Symons

Chair

Occupation: Project Manager

Qualifications, experience and expertise: Jennifer is currently a Project Manager. She has twenty years of executive management experience in the retirement and aged care sector. She has a breadth of experience across government and not for profit Board membership in the health and education sectors. She holds a Bachelors of Arts, Applied Science (Building) and Commerce (Accounting) and is a Graduate member of the Australian Institute of Company Directors.

Special responsibilities: Chair of board

Interest in shares: nil share interest held

Colin Robert Dunn

Non-executive director

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: nil

Interest in shares: nil share interest held

April Claire Merrick

Secretary

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 Shire 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 Audit & Risk Committee, Company Secretary, Community Engagement Committee Member

Interest in shares: nil share interest held

Garry Bruce Hetherington

Non-executive 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: Chair of Community Engagement Committee, Finance Committee Member

Interest in shares: nil share interest held

Pambula & District Community Development Limited

Directors' Report

Directors (*continued*)

Russell John Fitzpatrick

Non-executive director

Occupation: Finance Manager

Qualifications, experience and expertise: Finance Manager - Bobbin Transport Pty Ltd, Elected Bega Valley Shire Councillor (Deputy Mayor), Board member Southern NSW Health District, Director Sapphire Life Opportunities Ltd and Director Sapphire Life Church.

Special responsibilities: Business Development Committee Member

Interest in shares: nil share interest held

Philip Andrew Saunders

Non-executive director

Occupation: Retired Accountant

Qualifications, experience and expertise: FCPA/RCA/MBA. Phillip has a bachelor of business and a master in Business

Administration. He also holds a graduate diploma in System Analysis. Phillip has over 45 years experience in business accounting and consulting work and is a current member of BVSC Audit and Risk advisory group.

Special responsibilities: Audit & Risk Committee.

Interest in shares: 500 ordinary shares

Timothy George Shepherd

Non-executive director

Occupation: Consultant

Qualifications, experience and expertise: Timothy has held senior positions in the NSW National Parks and Wildlife Service and is now a consultant and volunteer in natural resource management. More recently he established a guided walking business.

Timothy holds a BSc(hons) degree and a Graduate Diploma in Mediation and Conflict Resolution. He has enjoyed a significant involvement in community sport over many years including chair of the Sapphire Coast Football League and President of the Pambula Panthers Football Club. Timothy is currently chair of the South East Region Pest Animal Management Committee.

Special responsibilities: Chair of Finance Committee

Interest in shares: 2,000 ordinary shares

Andrew Robert de Fegely

Non-executive director (appointed 25 January 2021)

Occupation: Forester

Qualifications, experience and expertise: Andrew is a Forestry Consultant, the Chair of the Forest Industry Advisory Council and Sustainable Timber Tasmania, a Member of the Pambula RFS and a fellow Australian Institute of Company Director's. Andrew also has a BSC (Forestry) and MSC (Forest Business Management).

Special responsibilities: nil

Interest in shares: nil share interest held

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

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

Company Secretary

There have been two company secretaries holding the position during the financial year:

- April Merrick was appointed to the position of secretary on 3 April 2019, April's experience is noted above.
- Graham Stubbs was appointed to the position of secretary on 1 July 2021.

Graham has over 30 years experience as a professional accountant across a broad range of companies and industries, including Nestle (Australia), BHP, Sydney Water, AHM Private Health Insurance, TAFE NSW and Bega Valley Shire Council. Graham has been a CPA for 30 years and since 2009 has been responsible for the management of governance and a public officer for the Port Kembla Port Corporation, TAFE NSW- Illawarra Institute, Bega Valley Shire Council, and the Eden Killer Whale Museum before joining the Pambula & District CDL. Graham has also owned and managed his own registered training organisation which delivered diploma level qualifications in business, management and workplace health and safety nationally.

Pambula & District Community Development Limited

Directors' Report

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

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

Operating results

The profit of the company for the financial year after provision for income tax was:

| Year ended 30 June 2021 | Year ended 30 June 2020 |
|----------------------------|----------------------------|
| \$ | \$ |
| 110,344 | 58,680 |

Directors' interests

| | Fully paid ordinary shares | | |
|--------------------------|------------------------------------|-------------------------------|----------------------------------|
| | Balance at start of the year | Changes during the year | Balance at end of the year |
| Colin Robert Dunn | - | - | - |
| Jennifer Eleanor Symons | - | - | - |
| April Claire Merrick | - | - | - |
| Garry Bruce Hetherington | - | - | - |
| Russell John Fitzpatrick | - | - | - |
| Philip Andrew Saunders | - | 500 | 500 |
| Timothy George Shepherd | 2,000 | - | 2,000 |
| Graham James Stubbs | - | - | - |
| Andrew Robert de Fegely | - | - | - |

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

| | Cents per share | Total amount |
|------------------------------|--------------------|--------------|
| Final fully franked dividend | 5 | 42,350 |

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors there were no other 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.

Pambula & District Community Development Limited

Directors' Report

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 except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

| <i>E - eligible to attend</i> <i>A - number attended</i> | Board Meetings Attended | |
|---|-------------------------|----------|
| | <i>E</i> | <i>A</i> |
| Colin Robert Dunn | 12 | 12 |
| Jennifer Eleanor Symons | 12 | 12 |
| April Claire Merrick | 12 | 12 |
| Garry Bruce Hetherington | 12 | 12 |
| Russell John Fitzpatrick | 12 | 9 |
| Philip Andrew Saunders | 12 | 11 |
| Timothy George Shepherd | 12 | 11 |
| Graham James Stubbs | 12 | 12 |
| Andrew Robert de Fegely | 3 | 12 |

Pambula & District Community Development Limited

Directors' Report

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 note 28 to the accounts.

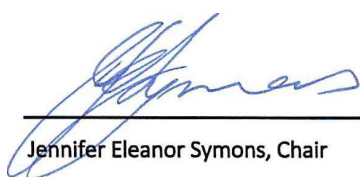
The board of directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks 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 directors at Pambula, New South Wales.



Jennifer Eleanor Symons, Chair

Dated this 22nd day of September 2021

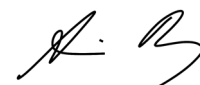
Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Pambula & District Community Development Limited

As lead auditor for the audit of Pambula & District Community Development Limited for the year ended 30 June 2021, 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: 22 September 2021



Adrian Downing
Lead Auditor

Pambula & District Community Development Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|----------------|---------------|
| Revenue from contracts with customers | 8 | 1,616,487 | 1,610,623 |
| Other revenue | 9 | 89,831 | 132,031 |
| Finance income | 10 | 5,971 | 10,463 |
| Employee benefit expenses | 11d) | (878,986) | (943,658) |
| Charitable donations, sponsorship, advertising and promotion | 11c) | (239,713) | (287,518) |
| Occupancy and associated costs | 3d) | (59,275) | (68,443) |
| Systems costs | | (52,337) | (55,822) |
| Depreciation and amortisation expense | 11a) | (130,020) | (126,445) |
| Finance costs | 11b) | (32,673) | (34,054) |
| General administration expenses | | (182,185) | (177,920) |
| Profit before income tax expense | | 137,100 | 59,257 |
| Income tax expense | 12a) | (26,756) | (577) |
| Profit after income tax expense | | 110,344 | 58,680 |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: | | 110,344 | 58,680 |
| Earnings per share | | ¢ | ¢ |
| - Basic and diluted earnings per share: | 31a) | 13.03 | 6.93 |

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited
Statement of Financial Position
as at 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|--------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 13 | 996,817 | 838,797 |
| Trade and other receivables | 15a) | 160,720 | 182,788 |
| Current tax assets | 19a) | - | 64,715 |
| Total current assets | | 1,157,537 | 1,086,300 |
| Non-current assets | | | |
| Investment property | 14a) | 1,304 | 8,683 |
| Property, plant and equipment | 16a) | 400,562 | 377,093 |
| Right-of-use assets | 17a) | 557,089 | 607,353 |
| Intangible assets | 18a) | 63,751 | 90,119 |
| Deferred tax asset | 19b) | 11,209 | 18,067 |
| Total non-current assets | | 1,033,915 | 1,101,315 |
| Total assets | | 2,191,452 | 2,187,615 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 20a) | 111,057 | 100,277 |
| Current tax liabilities | 19a) | 7,001 | - |
| Lease liabilities | 21a) | 59,587 | 56,033 |
| Employee benefits | 23a) | 52,381 | 71,126 |
| Total current liabilities | | 230,026 | 227,436 |
| Non-current liabilities | | | |
| Trade and other payables | 20b) | 30,817 | 61,639 |
| Lease liabilities | 21b) | 537,204 | 584,733 |
| Employee benefits | 23b) | 38,175 | 28,767 |
| Provisions | 22a) | 47,041 | 44,845 |
| Total non-current liabilities | | 653,237 | 719,984 |
| Total liabilities | | 883,263 | 947,420 |
| Net assets | | 1,308,189 | 1,240,195 |
| EQUITY | | | |
| Issued capital | 24a) | 811,715 | 811,715 |
| Retained earnings | 25 | 496,474 | 428,480 |
| Total equity | | 1,308,189 | 1,240,195 |

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 2021

| | Notes | Issued capital \$ | Retained earnings \$ | Total equity \$ |
|--|-------|-------------------------|----------------------------|-----------------------|
| Balance at 1 July 2019 | | 811,715 | 412,150 | 1,223,865 |
| Total comprehensive income for the year | | - | 58,680 | 58,680 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 30a) | - | (42,350) | (42,350) |
| Balance at 30 June 2020 | | 811,715 | 428,480 | 1,240,195 |
| Balance at 1 July 2020 | | 811,715 | 428,480 | 1,240,195 |
| Total comprehensive income for the year | | - | 110,344 | 110,344 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 30a) | - | (42,350) | (42,350) |
| Balance at 30 June 2021 | | 811,715 | 496,474 | 1,308,189 |

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited

Statement of Cash Flows

for the year ended 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,894,122 | 1,905,345 |
| Payments to suppliers and employees | | (1,558,273) | (1,682,947) |
| Interest received | | 5,971 | 10,464 |
| Lease payments (interest component) | 11b) | (30,477) | (31,961) |
| Lease payments not included in the measurement of lease liabilities | 11e) | (21,322) | (20,990) |
| Income taxes received (paid) | | 51,818 | (53,863) |
| Net cash provided by operating activities | 26 | 341,839 | 126,048 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (58,531) | (8,329) |
| Payments for intangible assets | | (28,018) | (28,017) |
| Net cash used in investing activities | | (86,549) | (36,346) |
| Cash flows from financing activities | | | |
| Lease payments (principal component) | | (54,920) | (52,696) |
| Dividends paid | 30) | (42,350) | (42,350) |
| Net cash used in financing activities | | (97,270) | (95,046) |
| Net cash increase/(decrease) in cash held | | 158,020 | (5,344) |
| Cash and cash equivalents at the beginning of the financial year | | 838,797 | 844,141 |
| Cash and cash equivalents at the end of the financial year | 13a) | 996,817 | 838,797 |

The accompanying notes form part of these financial statements

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Pambula & District Community Development Limited (the company). The company is a for profit entity limited by shares, and 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 Street Bega NSW 2550 |

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

Note 2 Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 22 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

a) Revenue from contracts with customers (*continued*)

| <u>Revenue</u> | <u>Includes</u> | <u>Performance obligation</u> | <u>Timing of recognition</u> |
|----------------------------------|------------------------------------|--|--|
| Franchise agreement profit share | Margin, commission, and fee income | When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor). | On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month. |

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank 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.

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 Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

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.

Core banking products

Bendigo Bank has identified some 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.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

a) Revenue from contracts with customers (*continued*)

Ability to change financial return

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

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

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

| <u>Revenue</u> | <u>Revenue recognition policy</u> |
|--|---|
| Sublease income | Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount. |
| Discretionary financial contributions (also "Market Development Fund" or "MDF" income) | MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end. |
| Cash flow boost | Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement). |
| Other income | All other revenues that did not contain contracts with customers are recognised as goods and services are provided. |

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

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 grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

b) Other revenue (*continued*)*Cash flow boost*

In response to the COVID-19 outbreak, Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020 (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

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

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

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 Bank 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 Bank provides significant assistance in establishing and maintaining the Community Bank 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:

- the design, layout and fit out of the Community Bank premises
- 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
- providing payroll services.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

d) Employee benefits*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and diminishing value method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

| <u>Asset class</u> | <u>Method</u> | <u>Useful life</u> |
|------------------------|-------------------------------------|--------------------|
| Leasehold improvements | Straight-line and diminishing value | 4 to 40 years |
| Plant and equipment | Straight-line | 1 to 40 years |
| Motor vehicles | Straight-line | 4 years |

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

| <u>Asset class</u> | <u>Method</u> | <u>Useful life</u> |
|-------------------------------|---------------|-----------------------------------|
| Franchise establishment fee | Straight-line | Over the franchise term (5 years) |
| Franchise fee | Straight-line | Over the franchise term (5 years) |
| Franchise renewal process fee | Straight-line | Over the franchise term (5 years) |

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if required.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade and other debtors and creditors, lease liabilities and cash and cash equivalents.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment*Non-derivative financial assets*

Expected credit losses (ECL) 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. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial 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 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).

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 is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

k) 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.

l) Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

m) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

m) Leases (*continued*)

As a lessor

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. Given the term of the sublease is less than the head lease term, the sublease does not meet the definition of a finance sublease and as such is an operating lease.

During the sublease term the company recognises sublease income in other revenue when earned. Depreciation on the right-of-use asset and interest on the lease liability is recognised under the head lease. The company recognise the sublease portion of the right-of-use asset within investment property. The portion calculated based on the sublease term and size of subleased area as a percentage of the head lease term and area.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

| <u>Note</u> | <u>Judgement</u> |
|----------------------------|---|
| - Note 21 - leases: | |
| a) control | a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset; |
| b) lease term | b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options; |
| c) discount rates | c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors. |
| d) sublease classification | d) judgement is required to determine the classification of the sublease as either an operating or a finance sublease. |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5 Significant accounting judgements, estimates, and assumptions (*continued*)

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

| <u>Note</u> | <u>Assumptions</u> |
|--|--|
| - Note 19 - recognition of deferred tax assets | availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised; |
| - Note 16 - estimation of useful lives of assets | key assumptions on historical experience and the condition of the asset; |
| - Note 22 - make-good provision | key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement; |
| - Note 23 - long service leave provision | key assumptions on attrition rate and pay increases through promotion and inflation; |

Note 6 Financial risk management

The company has exposure to credit, liquidity and market risk arising from financial instruments. 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 company. The company does not use derivative instruments.

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

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

| <u>Non-derivative financial liability</u> | <u>Carrying amount</u> | <u>Not later than 12 months</u> | <u>Contractual cash flows</u> | |
|---|------------------------|---------------------------------|---|--------------------------------|
| | | | <u>Between 12 months and five years</u> | <u>Greater than five years</u> |
| Lease liabilities | 596,791 | 86,882 | 348,748 | 290,703 |
| Trade and other payables | 141,874 | 111,057 | 30,817 | - |
| | <u>738,665</u> | <u>197,939</u> | <u>379,565</u> | <u>290,703</u> |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

b) Liquidity risk (*continued*)

Exposure to liquidity risk (continued)

30 June 2020

| <u>Non-derivative financial liability</u> | <u>Carrying amount</u> | <u>Not later than 12 months</u> | <u>Contractual cash flows</u> | |
|---|------------------------|---------------------------------|---|--------------------------------|
| | | | <u>Between 12 months and five years</u> | <u>Greater than five years</u> |
| Lease liabilities | 640,766 | 85,506 | 342,024 | 369,346 |
| Trade and other payables | 161,916 | 100,277 | 61,639 | - |
| | <u>802,682</u> | <u>185,783</u> | <u>403,663</u> | <u>369,346</u> |

c) Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

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.

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings.

The company held cash and cash equivalents of \$996,817 at 30 June 2021 (2020: \$838,797). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 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 distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company 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 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8 Revenue from contracts with customers

| | 2021 \$ | 2020 \$ |
|---------------------|------------------|------------------|
| - Margin income | 1,446,660 | 1,432,801 |
| - Fee income | 113,346 | 118,417 |
| - Commission income | 56,481 | 59,405 |
| | <u>1,616,487</u> | <u>1,610,623</u> |

Note 9 Other revenue

| | 2021 \$ | 2020 \$ |
|----------------------------------|---------------|----------------|
| - Sub-leasing income | 7,327 | 15,996 |
| - Market development fund income | 45,000 | 53,333 |
| - Cash flow boost | 37,500 | 62,500 |
| - Other income | 4 | 202 |
| | <u>89,831</u> | <u>132,031</u> |

Note 10 Finance income

| | 2021 \$ | 2020 \$ |
|-----------------|--------------|---------------|
| - Term deposits | <u>5,971</u> | <u>10,463</u> |

Note 11 Expenses

| | | |
|---|--------------------|--------------------|
| a) Depreciation and amortisation expense | 2021 \$ | 2020 \$ |
| <i>Depreciation of non-current assets:</i> | | |
| - Leasehold improvements | 16,332 | 16,307 |
| - Plant and equipment | 7,509 | 6,805 |
| - Motor vehicles | 11,222 | 10,704 |
| | <u>35,063</u> | <u>33,816</u> |
| <i>Depreciation of right-of-use assets</i> | | |
| - Leased land and buildings | <u>68,589</u> | <u>66,261</u> |
| <i>Amortisation of intangible assets:</i> | | |
| - Franchise fee | 4,395 | 4,395 |
| - Franchise renewal process fee | 21,973 | 21,973 |
| | <u>26,368</u> | <u>26,368</u> |
| Total depreciation and amortisation expense | <u>130,020</u> | <u>126,445</u> |
| b) Finance costs | | |
| - Lease interest expense | 30,477 | 31,961 |
| - Unwinding of make-good provision | 2,196 | 2,093 |
| | <u>32,673</u> | <u>34,054</u> |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11 Expenses (continued)

c) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

| | 2021 \$ | 2020 \$ |
|---|----------------|----------------|
| - Direct sponsorship, advertising, and promotion payments | 114,713 | 137,518 |
| - Contribution to the Community Enterprise Foundation™ | 125,000 | 150,000 |
| | <u>239,713</u> | <u>287,518</u> |

The funds contributed are held by the Community Enterprise Foundation™ (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

d) Employee benefit expenses

| | 2021 \$ | 2020 \$ |
|---|----------------|----------------|
| Wages and salaries | 771,000 | 809,211 |
| Non-cash benefits | 3,586 | 11,300 |
| Contributions to defined contribution plans | 75,117 | 74,121 |
| Expenses related to long service leave | (826) | (5,728) |
| Other expenses | 30,109 | 54,754 |
| | <u>878,986</u> | <u>943,658</u> |

e) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

| | 2021 \$ | 2020 \$ |
|---------------------------------------|---------------|---------------|
| Expenses relating to low-value leases | <u>21,322</u> | <u>20,990</u> |

Note 12 Income tax expense

a) Amounts recognised in profit or loss

| | 2021 \$ | 2020 \$ |
|--|---------------|------------|
| <i>Current tax expense/(credit)</i> | | |
| - Current tax | 19,899 | 9,529 |
| - Movement in deferred tax | 6,409 | (24,821) |
| - Adjustment to deferred tax on AASB 16 retrospective application | - | 14,827 |
| - Adjustment to deferred tax to reflect reduction in tax rate future | 448 | 1,042 |
| | <u>26,756</u> | <u>577</u> |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12 Income tax expense (continued)

| b) Prima facie income tax reconciliation | 2021 | 2020 |
|--|---------------|-------------|
| | \$ | \$ |
| Operating profit before taxation | 137,100 | 59,257 |
| Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%) | 35,646 | 16,296 |
| Tax effect of: | | |
| - Non-deductible expenses | 411 | 427 |
| - Temporary differences | (6,409) | 9,994 |
| - Other assessable income | (9,749) | (17,188) |
| - Movement in deferred tax | 6,409 | (24,821) |
| - Adjustment to deferred tax reflect reduction of tax rate in future periods | 448 | 1,042 |
| - Leases initial recognition | - | 14,827 |
| | <u>26,756</u> | <u>577</u> |

Note 13 Cash and cash equivalents

| | 2021 | 2020 |
|----------------------------|----------------|----------------|
| | \$ | \$ |
| - Cash at bank and on hand | 518,391 | 366,342 |
| - Term deposits | 478,426 | 472,455 |
| | <u>996,817</u> | <u>838,797</u> |

Note 14 Investment property

The company subleases some of its property. The company initially measures the head lease in accordance with AASB 16 before separately identifying the sublease portion under AASB 140 Investment Property. The investment property is initially measured at cost under AASB 16 and subsequently measured at cost less accumulated depreciation under AASB 140.

| a) Carrying amounts | 2021 | 2020 |
|--------------------------------|--------------|--------------|
| | \$ | \$ |
| <i>Investment properties</i> | | |
| At cost | 45,979 | 45,044 |
| Less: accumulated depreciation | (44,675) | (36,361) |
| | <u>1,304</u> | <u>8,683</u> |

b) Reconciliation of carrying amounts

Investment properties - sublease

| | | |
|--|--------------|--------------|
| Carrying amount at beginning | 8,683 | - |
| Initial recognition on transition - at cost | - | 45,044 |
| Initial recognition on transition - accumulated depreciation | - | (28,976) |
| Remeasurement adjustments | 935 | |
| Depreciation | (8,314) | (7,385) |
| Total written down amount | <u>1,304</u> | <u>8,683</u> |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 14 Investment property (*continued*)

c) Maturity analysis

The operating sub-lease is a 73 month lease which commenced 1 August 2015. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

| | 2021 \$ | 2020 \$ |
|-------------------------------------|------------|------------|
| - Within 12 months | 1,691 | 6,764 |
| - Greater than 12 months | - | 1,691 |
| Total undiscounted lease receivable | 1,691 | 8,455 |

Note 15 Trade and other receivables

| a) Current assets | 2021 \$ | 2020 \$ |
|--------------------------------|------------|------------|
| Trade receivables | 136,376 | 157,299 |
| Prepayments | 11,789 | 11,328 |
| Other receivables and accruals | 12,555 | 14,161 |
| | 160,720 | 182,788 |

Note 16 Property, plant and equipment

| a) Carrying amounts | 2021 \$ | 2020 \$ |
|--------------------------------|------------|------------|
| <i>Leasehold improvements</i> | | |
| At cost | 479,153 | 450,034 |
| Less: accumulated depreciation | (167,509) | (151,177) |
| | 311,644 | 298,857 |
| <i>Plant and equipment</i> | | |
| At cost | 131,484 | 124,304 |
| Less: accumulated depreciation | (83,662) | (76,153) |
| | 47,822 | 48,151 |
| <i>Motor vehicles</i> | | |
| At cost | 65,046 | 42,813 |
| Less: accumulated depreciation | (23,950) | (12,728) |
| | 41,096 | 30,085 |
| Total written down amount | 400,562 | 377,093 |

Pambula & District Community Development Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 16 Property, plant and equipment (continued)

| b) Reconciliation of carrying amounts | 2021 | 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| <i>Leasehold improvements</i> | | |
| Carrying amount at beginning | 298,857 | 315,164 |
| Additions | 29,119 | - |
| Depreciation | (16,332) | (16,307) |
| | <u>311,644</u> | <u>298,857</u> |
| <i>Plant and equipment</i> | | |
| Carrying amount at beginning | 48,151 | 46,627 |
| Additions | 7,180 | 8,329 |
| Depreciation | (7,509) | (6,805) |
| | <u>47,822</u> | <u>48,151</u> |
| <i>Motor vehicles</i> | | |
| Carrying amount at beginning | 30,085 | 40,789 |
| Additions | 22,233 | - |
| Depreciation | (11,222) | (10,704) |
| Carrying amount at end | <u>41,096</u> | <u>30,085</u> |
| Total written down amount | <u>400,562</u> | <u>377,093</u> |

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 17 Right-of-use assets

| a) Carrying amounts | 2021 | 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| <i>Leased land and buildings</i> | | |
| At cost | 805,519 | 795,508 |
| Less: accumulated depreciation | (248,430) | (188,155) |
| Total written down amount | <u>557,089</u> | <u>607,353</u> |
| b) Reconciliation of carrying amounts | | |
| <i>Leased land and buildings</i> | | |
| Carrying amount at beginning | 607,353 | - |
| Initial recognition on transition | - | 790,977 |
| Accumulated depreciation on adoption | - | (133,798) |
| Remeasurement adjustments | 10,946 | 4,531 |
| Depreciation | (61,210) | (54,357) |
| Total written down amount | <u>557,089</u> | <u>607,353</u> |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18 Intangible assets

| a) Carrying amounts | 2021 | 2020 |
|--|---------------|---------------|
| | \$ | \$ |
| <i>Franchise fee</i> | | |
| At cost | 49,861 | 49,861 |
| Less: accumulated amortisation | (39,236) | (34,841) |
| | <u>10,625</u> | <u>15,020</u> |
| <i>Franchise establishment fee</i> | | |
| At cost | 144,999 | 144,999 |
| Less: accumulated amortisation | (144,999) | (144,999) |
| | <u>-</u> | <u>-</u> |
| <i>Franchise renewal process fee</i> | | |
| At cost | 167,124 | 167,124 |
| Less: accumulated amortisation | (113,998) | (92,025) |
| | <u>53,126</u> | <u>75,099</u> |
| Total written down amount | <u>63,751</u> | <u>90,119</u> |
| b) Reconciliation of carrying amounts | | |
| <i>Franchise fee</i> | | |
| Carrying amount at beginning | 15,020 | 19,415 |
| Amortisation | (4,395) | (4,395) |
| | <u>10,625</u> | <u>15,020</u> |
| <i>Franchise renewal process fee</i> | | |
| Carrying amount at beginning | 75,099 | 97,072 |
| Amortisation | (21,973) | (21,973) |
| | <u>53,126</u> | <u>75,099</u> |
| Total written down amount | <u>63,751</u> | <u>90,119</u> |

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 19 Tax assets and liabilities

| a) Current tax | 2021 | 2020 |
|---------------------------------|--------------|-----------------|
| | \$ | \$ |
| Income tax payable/(refundable) | <u>7,001</u> | <u>(64,715)</u> |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 19 Tax assets and liabilities (continued)

| b) Deferred tax | 2021 | 2020 |
|--|-------------|-------------|
| | \$ | \$ |
| <i>Deferred tax assets</i> | | |
| - expense accruals | 1,572 | - |
| - employee provisions | 22,639 | 25,972 |
| - make-good provision | 11,760 | 11,660 |
| - lease liability | 149,198 | 166,599 |
| Total deferred tax assets | 185,169 | 204,231 |
| <i>Deferred tax liabilities</i> | | |
| - income accruals | 209 | 216 |
| - property, plant and equipment | 34,152 | 25,778 |
| - right-of-use assets | 139,599 | 160,170 |
| Total deferred tax liabilities | 173,960 | 186,164 |
| Net deferred tax assets (liabilities) | 11,209 | 18,067 |
| Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income | 6,858 | 13,028 |
| Movement in deferred tax charged to Statement of Changes in Equity | - | 14,827 |

Note 20 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

| a) Current liabilities | 2021 | 2020 |
|-----------------------------------|-------------|-------------|
| | \$ | \$ |
| Trade creditors | 8,165 | 4,191 |
| Other creditors and accruals | 102,892 | 96,086 |
| | 111,057 | 100,277 |
| b) Non-current liabilities | | |
| Other creditors and accruals | 30,817 | 61,639 |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The company's lease portfolio includes:

- Pambula Branch The lease agreement commenced in November 2018 for 5 years. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is November 2028.
- Bega Branch The lease agreement commenced in August 2015. A 5 year renewal option was exercised in August 2020. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is August 2030.

a) Current lease liabilities

| | 2021 \$ | 2020 \$ |
|----------------------------|---------------|---------------|
| Property lease liabilities | 86,882 | 85,506 |
| Unexpired interest | (27,295) | (29,473) |
| | <u>59,587</u> | <u>56,033</u> |

b) Non-current lease liabilities

| | | |
|----------------------------|----------------|----------------|
| Property lease liabilities | 639,451 | 711,370 |
| Unexpired interest | (102,247) | (126,637) |
| | <u>537,204</u> | <u>584,733</u> |

c) Reconciliation of lease liabilities

| | | |
|---|----------------|----------------|
| Balance at the beginning | 640,766 | - |
| Initial recognition on AASB 16 transition | - | 688,508 |
| Remeasurement adjustments | 10,945 | 4,954 |
| Lease interest expense | 30,477 | 31,961 |
| Lease payments - total cash outflow | (85,397) | (84,657) |
| | <u>596,791</u> | <u>640,766</u> |

d) Maturity analysis

| | | |
|------------------------------------|----------------|----------------|
| - Not later than 12 months | 86,882 | 85,506 |
| - Between 12 months and 5 years | 348,748 | 342,024 |
| - Greater than 5 years | 290,703 | 369,346 |
| Total undiscounted lease payments | <u>726,333</u> | <u>796,876</u> |
| Unexpired interest | (129,542) | (156,110) |
| Present value of lease liabilities | <u>596,791</u> | <u>640,766</u> |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22 Provisions

| a) Non-current liabilities | 2021 \$ | 2020 \$ |
|------------------------------|------------|------------|
| Make-good on leased premises | 47,041 | 44,845 |

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

| <u>Lease</u> | <u>Lease term expiry date per AASB 16</u> | <u>Estimated provision</u> |
|----------------|---|----------------------------|
| Pambula Branch | November 2028 | \$30,000 |
| Bega Branch | August 2030 | \$40,000 |

Note 23 Employee benefits

| a) Current liabilities | 2021 \$ | 2020 \$ |
|----------------------------------|------------|------------|
| Provision for annual leave | 52,381 | 60,892 |
| Provision for long service leave | - | 10,234 |
| | 52,381 | 71,126 |

b) Non-current liabilities

| | | |
|----------------------------------|--------|--------|
| Provision for long service leave | 38,175 | 28,767 |
|----------------------------------|--------|--------|

c) Key judgement and assumptions

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 24 Issued capital

| a) Issued capital | 2021 | | 2020 | |
|------------------------------|---------|----------|---------|----------|
| | Number | \$ | Number | \$ |
| Ordinary shares - fully paid | 847,009 | 847,009 | 847,009 | 847,009 |
| Less: equity raising costs | - | (35,294) | - | (35,294) |
| | 847,009 | 811,715 | 847,009 | 811,715 |

b) Rights attached to issued capital

Ordinary shares

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.

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 24 Issued capital (*continued*)

b) Rights attached to issued capital (*continued*)

Ordinary shares (continued)

Voting rights (*continued*)

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.

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 Bank 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).

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").

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

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

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

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

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 Retained earnings

| | Note | 2021 \$ | 2020 \$ |
|---|------|----------------|----------------|
| Balance at beginning of reporting period | | 428,480 | 451,239 |
| Adjustment for transition to AASB 16 | | - | (39,089) |
| Net profit after tax from ordinary activities | | 110,344 | 58,680 |
| Dividends provided for or paid | 30a) | (42,350) | (42,350) |
| Balance at end of reporting period | | <u>496,474</u> | <u>428,480</u> |

Note 26 Reconciliation of cash flows from operating activities

| | 2021 \$ | 2020 \$ |
|--|----------------|----------------|
| Net profit after tax from ordinary activities | 110,344 | 58,680 |
| Adjustments for: | | |
| - Depreciation | 103,652 | 100,077 |
| - Amortisation | 26,368 | 26,368 |
| Changes in assets and liabilities: | | |
| - (Increase)/decrease in trade and other receivables | 22,068 | (6,060) |
| - (Increase)/decrease in other assets | 71,573 | (47,574) |
| - Increase/(decrease) in trade and other payables | 7,973 | (13,955) |
| - Increase/(decrease) in employee benefits | (9,337) | 12,130 |
| - Increase/(decrease) in provisions | 2,196 | 2,093 |
| - Increase/(decrease) in tax liabilities | 7,002 | (5,711) |
| Net cash flows provided by operating activities | <u>341,839</u> | <u>126,048</u> |

Note 27 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Note | 2021 \$ | 2020 \$ |
|------------------------------|------|----------------|----------------|
| Financial assets | | | |
| Cash and cash equivalents | 13 | 518,391 | 366,342 |
| Term deposits | 13 | 478,426 | 472,455 |
| Trade and other receivables | 15 | 148,931 | 171,460 |
| | | <u>996,817</u> | <u>838,797</u> |
| Financial liabilities | | | |
| Trade and other payables | 20 | 141,874 | 161,916 |
| Lease liabilities | 21 | 596,791 | 640,766 |
| | | <u>738,665</u> | <u>802,682</u> |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 28 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| <i>Audit and review services</i> | | |
| - Audit and review of financial statements | 5,000 | 4,800 |
| <i>Non audit services</i> | | |
| - Taxation advice and tax compliance services | 600 | 600 |
| - General advisory services | 3,470 | 4,110 |
| - Share registry services | 4,014 | 4,053 |
| Total auditor's remuneration | 13,084 | 13,563 |

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Colin Robert Dunn
 Jennifer Eleanor Symons
 April Claire Merrick
 Garry Bruce Hetherington
 Russell John Fitzpatrick
 Philip Andrew Saunders
 Timothy George Shepherd
 Graham James Stubbs
 Andrew Robert de Fegely

b) Key management personnel compensation

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.

c) Related party transactions

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

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| <i>Transactions with related parties</i> | | |
| - Sapphire Life Opportunities Ltd, a registered charity Garry Hetherington is a director of, received sponsorship and provided brand recognition for the Community Bank during the period. The total benefit received was: | - | 10,000 |
| - Part payment of tuition for an advanced leadership course with women & Leadership Australia. The total benefit received was: | 4,000 | - |
| Total transactions with related parties | 4,000 | 10,000 |

Pambula & District Community Development Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Cash Flows and Statement of Changes in Equity.

| | 30 June 2021 | | 30 June 2020 | |
|------------------------|--------------|--------|--------------|--------|
| | Cents | \$ | Cents | \$ |
| Fully franked dividend | 5.00 | 42,350 | 5.00 | 42,350 |

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

b) Franking account balance

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| <i>Franking credits available for subsequent reporting periods</i> | | |
| Franking account balance at the beginning of the financial year | 352,346 | 314,547 |
| Franking transactions during the financial year: | | |
| - franking debits from the refund of income tax following lodgement of the annual income tax return | (64,715) | (45,365) |
| - Franking credits from the payment of income tax instalments during the financial year | 12,897 | 99,228 |
| - Franking debits from the payment of franked distributions | (14,880) | (16,064) |
| Franking account balance at the end of the financial year | 285,648 | 352,346 |
| Franking transactions that will arise subsequent to the financial year end: | | |
| - Franking credits (debits) that will arise from payment (refund) of income tax | 7,002 | (64,715) |
| Franking credits available for future reporting periods | 292,650 | 287,631 |

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Note 31 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Profit attributable to ordinary shareholders | 110,344 | 58,680 |
| | Number | Number |
| Weighted-average number of ordinary shares | 847,009 | 847,009 |
| | Cents | Cents |
| Basic and diluted earnings per share | 13.03 | 6.93 |

Note 32 Commitments

The company has no commitments contracted for which would be provided for in future reporting periods.

Pambula & District Community Development Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 33 Contingencies

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

Note 34 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Pambula & District Community Development Limited

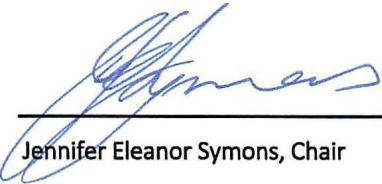
Directors' Declaration

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 2021 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.

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



Jennifer Eleanor Symons, Chair

Dated this 22nd day of September 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pambula & District Community Development Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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.

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 (including Independence Standards)* (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.

Responsibilities of the Directors 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 responsibilities 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 22 September 2021



Adrian Downing
Lead Auditor