



# Annual Report

## 30 June 2019

Picton & District Community  
Enterprises Limited

ABN 73 145 546 121

**Picton CommunityBank® Branch**

## About Community Bank®

A **Community Bank**® branch is a locally owned and operated company, which functions as a franchise of Bendigo and Adelaide Bank. The Bank provides the coverage of its banking licence, a full range of banking products, training of staff and ongoing support.

Depositors are protected by the Bank's imposing track record when it comes to the security of depositors' funds. We are one of Australia's oldest financial institutions, we have operated since 1858 and have declared a profit in every year and we have without fail honoured our depositors.

The Bank and the community company are each entitled to agreed portions of the revenue of the local **Community Bank**® branch and the local company is responsible for paying branch running costs.

When the local company begins to make a regular operating surplus, after the payment of branch running costs, and the Bank's share of the revenue is received, the remaining funds are available to be reinvested back into the community through dividends to shareholders and grants to community groups and projects.

# Annual Report

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# Picton & District Community Enterprises Ltd.

## WHAT WE WANT TO BE?

- At the forefront of peoples mind with banking and community involvement
- A profitable Community Bank and a Bank of choice
- Be invited as part of the community
- We want to be connected and engaged

## WHAT IS OUR REASON FOR BEING?

- Assist and strengthen our community

### Our key strategies...

| We Will:   | By:   |
|--|---|
| Support and develop the potential and growth of directors and staff  | recognising achievements, maximising skills and staff retention |
| Develop a cohesive marketing strategy                                | extending our reach through a multi-media marketing campaign    |
| Improve our engagement with shareholders customers and our community | increasing our presence in the community                        |
| Be an ethical, transparent and compliant organisation                | implementing good governance practices                          |
| Grow the business  | supporting the business plan.                                   |

### About us...

Picton & District **Community Bank**<sup>®</sup> Branch opened its doors in 2011.

Starting off as a small business, we have grown steadily each year. Six years on we continue to provide local banking with quality customer service. We are proud to support our community with funds and involvement. To get this far is a real milestone and testament to the commitment and support of the Picton and district local community.

The branch contributes profits back to the community through its sponsorships & grants program found on page 14 of this Annual Report. The program assists local community groups with a wide range of projects, events and initiatives.

Shares are available to invest in our company and we have been working hard towards being able to declare a dividend for our shareholders.

We are pleased to be able to provide a great opportunity to be a part of a local business with a sustainable future. We employ local people and support our local community.

## Our People...

**Chair:**  
Tia Veech



**Deputy Chair:**  
Phil Digger



**Treasurer:**  
Leanne Anderson



**Company Secretary:**  
Ally Dench



**Director:**  
Josh Muller



**Director:**  
Evelyn Szumski



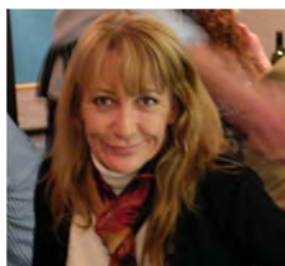
**Director:**  
Mel Thompson



**Director:**  
Tristan Triffitt



**Director:**  
Linda Difrancesco



**Director:**  
Hilton Gibbs



## Our Staff...

**Branch Manager:**  
Steve Homann



**Senior Customer Service Officer:**  
Mandy Hunt



**Customer Service Officer:**  
Emma Hawkins



**Customer Service Officer:**  
Rebecca Robertson



**Customer Service Officer:**  
Julie Bird



## Chairperson's Message...

**30 June 2019**

We have just finished operating the Picton & District Community Bank® Branch for our eighth year.

In our prospectus to buy shares, issued in 2010, we forecasted that after three years, we would have deposits and loans showing a total "bank book" of \$49.405 million.

In July this year, after 7.5 years of trading our "bank book" is sitting at \$95,000,000

As chair I have often questioned how or why I am chair and have held this position for the last 4 years, but am excited that I am the chair, with a great board (past & present) as our company develops into the vision we all saw in the beginning. As a company we have cleared our overdraft and have been operating in profit each month. Our patient shareholders have received the first of many dividends in June 2019 as promised at last years AGM where we proudly declared we were in profit.

I was attracted to the Community Bank® model for the community aspect and I am happy with the support that our Community Bank® branch provides to our community, we have many ideas and projects in the pipeline and I would like to take this opportunity to introduce Julie Call who is our new Marketing/Community liaison officer.

We are now able to start creating real change within our community and as before, the greater support we receive from our community the greater the support we can give back.

I have been a shareholder from the inception and a Board member now for six years.

In the last 12 months we have sponsored events like Illuminate, Doggy Day Out, Light up the Oaks, Picton Carols and others. We have helped a footy club who hadn't had new jerseys for a few years and other sporting associations in our area. We continue to partner with Wests Tigers Foundation and more recently The Dona Faith Alliance, look out for the Youth Think Tank heading our way in November.

This past twelve months has again been challenging staff wise with some turnover of our junior staff members. Jodi left us earlier this year and we wish her well in her new position. Our staff now comprises of Steve, Mandy, Rebecca, Emma and newcomer Julie in the branch. Our board now has the services of an Admin Officer Fern, a bookkeeper Leanne and the services of Julie our new community investment/marketing officer to help us grow our brand and our community footprint.

I wish to express my sincere gratitude to all our branch staff for another great effort this year. Our loans have once again increased considerably. Our rate of growth is still one of the highest in the Community Bank® network in Australia.

My thanks go to all the Directors, branch staff and Bendigo Bank personally that I have had the pleasure of working with, and who have supported our efforts to establish a perpetual fundraising organisation for our local community.



Tia Louise Veech, Chairman

## Directors Report...

Your directors submit the financial statements of the company for the financial year ended 30 June 2019  
The names and details of the company's directors who held office during or since the end of the financial year are as follows:

### **Tia Louise Veech**

#### **Chair**

*Occupation:* Self-employed

*Qualifications, experience and expertise:* Aromatherapist currently self-employed. Market Organiser - Wollondilly Markets, Light Up the Oaks & Time Travelers World Fair. Previously: Family Day Care operator, clerical positions and various direct sales positions. Currently helping with the Dilly Drought Drive. Involved in local women's networking groups and admin on a variety of local community and networking Facebook pages.

*Other former directorships:* Our Community Pantry

*Special Responsibilities:* Marketing Committee

*Interest in shares:* 2,000

### **Phillip Lee Digger**

#### **Deputy Chair**

*Occupation:* Small Business Owner

*Qualifications, experience and expertise:* Upholsterer, Carpet Sales and Flooring layer. Life member of Picton Rugby League Football Club. Tafe in Upholstery & Carpet Laying.

*Special responsibilities:* Nil

*Interest in shares:* 2,001

### **Leanne Maree Anderson**

#### **Treasurer**

*Occupation:* Licensed Conveyancer

*Qualifications, experience and expertise:* Worked in a legal practice for over 36 years. Volunteer Fire Fighter with Thirlmere Brigade. Treasurer for last 3 years with Thirlmere Fire Brigade. Volunteered for Thirlmere Roosters Footy Club for 10 years.

*Special responsibilities:* Governance and Finance Committee

*Interest in shares:* 1,000

### **Alison Nancy Dench**

#### **Company Secretary**

*Occupation:* Executive Director, Local Government

*Qualifications, experience and expertise:* B. Social Science & BA Hons Politics. Over 25 years experience in the human and community services sectors holding various roles in government and non-government services. Experience in direct care, service management, service delivery and policy development. Current Executive Director Community and Corporate with Wollondilly Shire Council.

*Former directorships:* Carrington Centennial Care

*Special responsibilities:* Company Secretary and Governance committee.

*Interest in shares:* 1,501

### **Josephus Huibertus Muller**

#### **Director**

*Occupation:* Retired

*Qualifications, experience and expertise:* Teaching Certificate (Wagga Wagga Teachers College 1972), Bachelor of Financial Administration (UNE 1986) and Cert IV in Human Resources 2011 Macarthur TAFE. Has worked as an management accountant for New Zealand company, Ceramco, during 1984-90. Has helped form and subsequently manage a worker co-operative that functioned successfully for eleven years. During that period was appointed as a director of the Australian Co-Operatives Association. Is currently serving as a Secretary/Treasurer of Buxton Rural Fire Brigade having held the position for the past nine years.

*Special responsibilities:* Finance and Governance Committee.

*Interest in shares:* 500

## **Directors (continued)**

### **Evelyn Szumski**

#### **Director**

*Occupation:* Coach and Trainer

*Qualifications, experience and expertise:* Holding key management and leadership roles within the Telstra corporation for 23 years, Evelyn was regarded as the 'go to' person on a range of corporate areas including employee coaching, mentoring, employee rights, nationwide policies, procedures and rollout of systems, demonstrating the high regard held for her by the Telstra Corporation. She also specialises in coaching business owners and company CEOs. Evelyn helps business owners identify their goals, understand and formalise them and strategize the implementation of achieving these goals in simple, easy to manage steps over allocated time frames and practices brain-based coaching being an authorised YB12 coach. She is also an accredited SEI EQ Assessor. Six Seconds Certified EQ Assessor, YB12 Coach Authorisation, Neuro leadership coaching accreditation, Executive coach Master Business accelerator, Certified Leading Dimensions Profiler, Cert IV TAE, Diploma of Management, Deakin University - Team leader development program, Diploma of Business Administration.

*Special responsibilities:* Governance Committee.

*Interest in shares:* Nil

### **Linda Maree Difrancesco**

#### **Director**

*Occupation:* Director

*Qualifications, experience and expertise:* Director of Sydney West Furniture Repairs. Began career in retail management before opening her own furniture and repairs restoration business in 1994. Has lived in Wollondilly since 2001 and worked for a local real estate agent. Is a Parramatta advocate for her local community.

*Special responsibilities:* Marketing Committee.

*Interest in shares:* 10,000

### **Tristan Triffitt**

#### **Director**

*Occupation:* Real Estate Agent

*Qualifications, experience and expertise:* Being heavily involved in Real Estate for over a decade, Tristan Triffitt has achieved truly outstanding results. In his first year as an agent he sold a record number of properties. He was recognised by the Real Estate Institute of NSW for award of excellence. Every year since, Tristan has been awarded with a Top Sales Person award from his peers in the industry, this is a record that few can match. Today, Tristan is a partner at McGrath, sales manager and the licensee-in-charge of the Picton office. Not only is he a fully licensed real estate agent, he's also a licensed auctioneer, licensed stock and station agent and even a qualified real estate trainer. Given all this, Tristan is able to offer superb service to clients wishing to sell their home. Buyers also benefit dealing with Tristan. His knowledge of the local market allows him to provide sound advice to buyers and he is quick to advise when new listings become available.

*Special responsibilities:* Nil

*Interest in shares:* Nil

### **Melissa Thompson**

#### **Director**

*Occupation:* Disability Support Worker

*Qualifications, experience and expertise:* Employed by a local not for profit disability support organisation, Melissa has a strong focus on equality, community and customer service. In addition to her other qualifications Melissa is currently studying a Certificate IV in Disability.

*Special responsibilities:* Nil

*Interest in shares:* Nil

### **Hilton James Gibbs**

**Director (Appointed 28 November 2018)**

*Occupation:* Retired

*Qualifications, experience and expertise:* Hilton is a retired business owner, President of the Oaks Community Chamber of Commerce and Councillor of Wollondilly Shire Council.

*Special responsibilities:* Marketing Committee

*Interest in shares:* Nil

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

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



### Company Secretary

The company secretary is Alison Nancy Dench. Alison was appointed to the position of secretary on 2 August 2010.

*Qualifications, experience and expertise:* B. Social Science & BA Hons Politics. Over 25 years in the human and community services sectors holding various roles within government and non-government agencies. Experience in direct care, service management and delivery and policy development. Current Executive Director Community Services and Corporate Support at Wollondilly Shire Council.

### Principal Activities

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

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

### Operating results

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

| Year ended<br>30 June 2019 | Year ended<br>30 June 2018 |
|----------------------------|----------------------------|
| \$                         | \$                         |
| 99,792                     | 119,648                    |

### Dividends

|                            | Year ended 30 June 2019 |        |
|----------------------------|-------------------------|--------|
|                            | Cents                   | \$     |
| Dividends paid in the year | 6                       | 53,071 |

### Significant changes in the state of affairs

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

### Indemnification and insurance of directors and officers

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

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

## Directors' meetings

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

|                           | Board Meetings Attended |    | Committee Meetings Attended |    |           |   |         |    |
|---------------------------|-------------------------|----|-----------------------------|----|-----------|---|---------|----|
|                           |                         |    | Governance & HR             |    | Marketing |   | Finance |    |
|                           | A                       | B  | A                           | B  | A         | B | A       | B  |
| Tia Louise Veech          | 10                      | 8  | 11                          | 1  | -         | - | -       | -  |
| Josephus Huibertus Muller | 10                      | 8  | 11                          | 7  | -         | - | 11      | 10 |
| Alison Nancy Dench        | 10                      | 9  | 11                          | 10 | -         | - | -       | -  |
| Philip Lee Digger         | 10                      | 5  | 11                          | 1  | -         | - | -       | -  |
| Evelyn Szumski            | 10                      | 10 | 11                          | 10 | 1         | 1 | -       | -  |
| Linda Maree Difrancesco   | 10                      | 4  | -                           | -  | 1         | 1 | -       | -  |
| Tristan Triffitt          | 10                      | 8  | -                           | -  | 1         | 1 | -       | -  |
| Leanne Maree Anderson     | 10                      | 9  | 11                          | 10 | -         | - | 11      | 11 |
| Melissa Thompson          | 10                      | 1  | -                           | -  | 1         | 1 | -       | -  |
| Hilton James Gibbs *      | 6                       | 4  | -                           | -  | 1         | 1 | -       | -  |

A – eligible to attend

\* Appointed 28 November 2018

B – number attended

## Proceedings on behalf of the company

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

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

## Non audit services

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

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

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

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

## 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 12.

Signed in accordance with a resolution of the board of directors at Picton, New South Wales on 6 September 2019.



Tia Louise Veech, Chairman



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

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

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 6 September 2019



**Joshua Griffin**  
Lead Auditor

## Managers' report...

### Financial year 2018/19

Picton and District's Community Bank has ended the financial year on another high after an indifferent period within the Finance sector, the Enquiry into the Banking Industry, the tightening of lending criteria plus uncertainty in the housing market, despite this we have continued to grow and prosper over this period.

We finished our year with our total footings at \$95,000,000 with \$ 36,878,000 in deposits and \$51,897.561 in lending. This is slightly down from our previous year where we finished at \$97,100,000.

Throughout the year we approved \$12,104,000 in new loans however we had \$8,668,000 in loans repaid, with the majority of these being clients selling investment properties or downsizing their owner-occupied homes or clearing their bridging finance.

With deposits rates down so low, it has been harder to compete in this market, with our deposit book dropping by \$5,000,000 over the financial year.

Our customer numbers grew by 6.5% to 1,375 during the year with Products per Customer now sitting at 1.9 per client. Another improvement over the year.

Our staff have also changed since last years' AGM. We have had a restructure to the Branch, with myself as Manager, Rebecca Robertson as our New Lending Officer, Mandy Hunt our Senior Customer Service Officer, with Emma Hawkins and Julie Bird as our front-line staff, the Customer Service Officers. Julie Bird joining our ranks in August 2019, welcome.

Looking forward to the year ahead. Customer service and our commitment to community will always be our focus, with our new team willing and able to service all our customers banking and insurance needs. We take pride in our old fashion ways, we know our customers by name and take an interest in everything that they do. Proving this is "Your Bank" winning the Outstanding Professional Service Award at the 2019 Wollondilly Business Awards night. This is the 2nd time we have taken home this prestigious trophy having also won in 2016, and finalists in 2017. What a consistent effort by our team of professionals.

Additionally, the Bank is continuing with a focus of Home Loans with some sharp interest rates currently on offer and waived application fees, which will see us being very competitive in the housing market and assist in the drive to gain more business

Finally, I would like to acknowledge and thank the Board of Directors for their unwavering support and encouragement throughout the year. Under the leadership of Tia Veech as Chairperson, Ally Dench our Secretary and Leanne Anderson our Treasurer a big thankyou to all the directors for their contribution over the year and I look forward to working together in this 2019-2020 financial year.

Stephen Homann



**Branch Manager**

## Congratulations to our staff...

So proud of our team being recognised as the best professional service at the Wollondilly Local Business Awards 🏆

Board members celebrated with our amazing branch staff on the evening and we would like to say a very big thank you to all of our customers and those who continue to support our community bank.

Congratulations to our great team!



## A snapshot of some of our activities...

### Illuminate Wollondilly Light and Art Festival



### St Marks Church Pioneer Cemetery restoration project



The Bank donated the funds for the restoration of 1 headstone and challenged other small businesses to contribute to this project.



Picton & District Community Bank Branch is also a proud sponsor of the Tahmoor Centenary Walk. A great combination of photos and history celebrating 100 years of the naming of Tahmoor. Great walk and some cool history.

## Wollondilly Women in Business Network project sponsor

Proud to be major Sponsors for the "Get Back to Work" and "New Business Startup" Initiatives with the Wollondilly Women In Business Network. This initiative changes lives within our Community. Last year this Initiative was run and as a result 12 out of 13 local women returned to the work force and assisted three women in starting up their business's.

## Supporting the Local Girl Guides Movement

Our Chair Tia Veech shared her story with a group of our local Girl Guides. Tia has been a great leader for our Community Bank and spoke about leadership, perceptions of who a leader is, assumptions and stepping up and out of your comfort zone. If you don't say yes to new opportunities or give things a go, nothing will ever change but if you do there is a world of opportunities out there waiting. Our young Girl Guides are a great group of future leaders, they asked lots of questions, shared some of their own stories and were polite and respectful.



## We continue to Sponsoring Shenali Dona and the Dona Faith Alliance



This is the amazing young lady we recently sponsored to get to the UN for International Women's Day. Picton & District Community Bank Branch are excited to continue partnering with The Dona Faith Alliance with some great youth initiatives planned for Wollondilly.

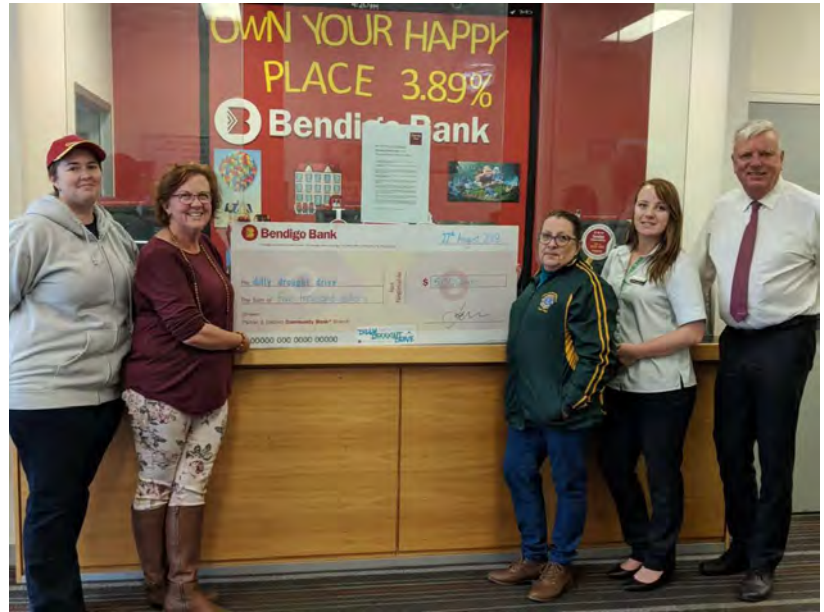




# Dilly Drought Drive

## Our Partnership continues to help our Farmers

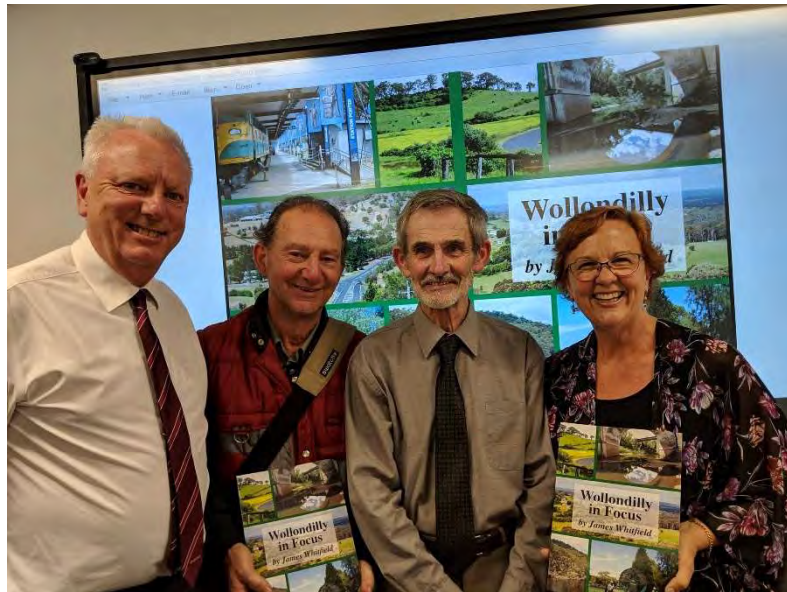
Picton & District Community Bank Branch & Lions Club of Tahmoor Inc & Dilly Drought Drive continue to work together for our community. For the last 12 months a couple of dedicated locals (including our chair) have been fundraising and advocating for our local farmers as part of the Dilly Drought Drive. The team had morning tea with the Governor of New South Wales His Excellency Sir David Hurley, his lovely wife Mrs Hurley and the CEO from Rural Aid at Gavana Dairy Farm and Educational Tours. It is truly amazing what locals can achieve when we all work together.



## Supporting Wollondilly Support & Community Care - IC CARE

Proud to help this great organisation with the signage on their new bus. Great service for our seniors

Supporting the launch of Wollondilly in Focus by James Whitfield



## Wollondilly Shire Council Volunteers event

Board members attended the Wollondilly Shire Council volunteers thank you event. Volunteering truly is the lifeblood of our community and it was wonderful to see so many people who give their time freely for such a huge variety of things.



## Light up The Oaks Christmas event

Great evening out and about in our community for the Light up The Oaks Christmas event. Our team proudly sold raffle tickets to support the Dilly Drought Drive and provided shade for the lovely CWA The Oaks Evening Branch NSW as well as meeting, Santa, Darth Vader and Batman 🦇



## Sponsoring the Wollondilly Christmas Lights event

Great job team Picton - Picton & District Community Bank Branch were proud to sponsor the commercial/industrial category again for his years Christmas Lights competition this year.

Congratulations to highly commended Critter Bits Bargo & Timeless Treasure Gifts & Decor

Huge congratulations to 1st Place Winners My Property Consultants Picton who donated their \$100 prize money to the Dilly Drought Drive.





## Acknowledging our young achievers

The Bank again had the pleasure of sponsoring local schools with their end of year awards for the students who have shown great achievement over all aspects of their learning.

## Grand opening of The Bendigo Bank BBQ hut Victoria Park Picton



## West Leagues Foundation 13

An opportunity to market the Branch through the West Tigers leagues Club arose as part of our branding and marketing strategy. The board approved to become a Foundation 13 member.

Foundation 13 is an exclusive group of 13 individuals and groups who will be forever known as the Foundation 13 who led the way in launching the Wests Tigers Foundation and the success that comes from it. There are only 13 exclusive spots available in this group and as a result we will be recognised and acknowledged for our contribution and the difference it will make to West Tigers and the community they connect with.

The Foundation 13 program vision statement of *Enriching the Lives of Our Community* aligns with the Picton and District Boards vision. The Foundation has developed over 60 programs across six key pillars.

The Board saw this opportunity with West Tigers as a way to influence the lives of individuals and groups through the Tigers profile as an elite sporting club and their visions aligns with ours to use this influence for the greater good. Whilst we have been able to reach a significant amount of individuals in the community and know the difference that these programs make on these individuals, our desire is to continue to do more - to reach more people and to make a greater impact through this initiative.

# Continuing to provide shelter for our Community in more ways than one...

Our cabanas are out and about, we love being involved in our local community. Picton & District Community Bank Branch is your local community bank, all profits stay in our area





## Wollondilly Women in Business Network Participation Award

Congratulations to Evelyn Szumski Director on winning the Network Participation Award at the Wollondilly Women In Business Network annual event. Way to go Evelyn - The Mind Master 💕💕💕

## Australia Day Award for our Chair Tia Veech

BIG congratulations to our Chair Tia Veech for the support and work with the Dilly Drought Drive and being recognised for this by receiving a Wollondilly Australia Day Hero Award.

On receiving this award Tia said:

“I am so honoured and humbled for the support we have been given over the last 12 months, glad I answered the phone that day Sharon Robertson and was able to help.

So glad I stepped up all those years ago to be a volunteer board member at Picton & District Community Bank Branch - it has led me to work with some amazing people”





## Getting the Bank out there....

Build it and they will come – right?

Launch the website and sales will start pinging through – right?

Have a great product – you'll always have customers – right?

**WRONG!**

This year has been another big one about getting our name out there!!

We have been working really hard this year on our marketing strategy to get the word out about the Picton Community Bank and the benefits our business has for our Community.

We continue to implement our sound market research, promoted our products and got the brand out there all within a well-considered budget.

Our strategy to use a number of ways to get the word out about our business without it “breaking the bank” continues and following are some of the initiatives that have been implemented:

- ✓ Using our Cabanas to have a physical presence in the Community
- ✓ Taking advantage of the Community Bank marketing initiatives and templates
- ✓ Designing and promoting our social media presence
- ✓ Collaborating with other key community players
- ✓ Offering our services and product as a competition prizes
- ✓ Promoting referral marketing with the help of our Branch Manger
- ✓ Getting our name out there through radio and the print media

## Payment of Dividends!!!

On the 1 June 2019 the Board provided Shareholders an update on the progress of Picton and District **Community Bank**<sup>®</sup> Branch. We were pleased to announce that the branch exceeded \$97 million in banking business.

The Board thanked shareholders of Picton and District Community Bank<sup>®</sup> Branch for their support and the instrumental role they had played in the success of the Community Bank<sup>®</sup> branch to date.

The Board also acknowledged for the past 10 years the people of Picton and the surrounding districts have supported their locally owned **Community Bank**<sup>®</sup> branch by transferring their banking business to Picton and District **Community Bank**<sup>®</sup> Branch.

As a result of this the Board was very pleased to advise that the Company's financial position was at a stage where the Board had approved a dividend payment to shareholders.

An unfranked dividend of \$0.06 which equates to a 6% return on the original share investment, was paid on shareholdings for the period 1 July 2018 to 30 June 2019. The payment was made on the 25 June 2019.

This dividend demonstrates the success of our venture and we thank you for your commitment to your community and your **Community Bank**<sup>®</sup> branch.

A letter was sent to all Shareholders requesting their details together with a certified copy of supporting identification, and this was requested to be returned by 12 June 2019 to AFS & Associates Pty Ltd, by email to [shareregistry@afsbendigo.com.au](mailto:shareregistry@afsbendigo.com.au) or post to PO Box 454, Bendigo, VIC 3552.

This was requested to ensure that our records were updated prior to the payment of the dividend and the dividend was electronically deposited to shareholders accounts. A dividend could only be paid once this occurred.

If you are a shareholder and you did not receive information or a dividend payment please contact the Bank and we will assist in ensuring you receive your dividend for the 2018/19 financial year.

Once again, the Board would like to thank Shareholders for your contribution to the success of the Picton and District **Community Bank**<sup>®</sup> Branch and look forward to providing you with further updates in the future.

If you have any queries please contact Steve Homann, Branch Manager of the Picton and District **Community Bank**<sup>®</sup> Branch on 02 4677 1601.



## Trading Shares in Picton & District Community Enterprises Ltd.

Picton & District Community Bank<sup>®</sup> Branch of Bendigo Bank is operated by Picton & District Community Enterprises Limited. Picton & District Community Enterprises Limited also operates a Special Market called a Low Volume Market (LVM), to facilitate the trading of its shares.

There are no recent share trades for Picton & District Community Enterprises Limited. In order to buy or sell shares in Picton & District Community Enterprises Limited you must first register your interest formally with the Company Secretary.

If a registered buyer and seller agree to trade shares, the buyer must first seek approval from the Company's Board by completing the Share Purchase Form and sending it to the Company Secretary.

Once approved, the registered buyer and seller must complete the Security Transfer Form and send it to the Company Secretary.

Stamp Duty may also be payable and it is wise to check with the State Revenue Office for details. If Stamp Duty applies, the buyer must comply with State Revenue Office regulations prior to submitting the Security Transfer Form to the Company Secretary.

All LVM interest and transactions should be posted to:

**Ally Dench**  
**Company Secretary**  
**Picton & District Community Enterprises Limited**  
**PO Box 660, Picton NSW 2571**

A full list of the current interested traders (including number of shares and desired trading price) is provided below.

| Parcel | Min Sale Price (Per Share) | ID | Interest Lodged |
|--------|----------------------------|----|-----------------|
| 500    | \$1.00                     | 20 | 23/11/2016      |
| 1000   | \$1.20                     | 19 | 13/07/2016      |
| 10000  | \$1.00                     | 18 | 09/11/2015      |
| 1000   | \$1.00                     | 17 | 25/08/2015      |
| 5000   | \$1.00                     | 16 | 17/08/2015      |
| 15000  | \$1.00                     | 15 | 04/08/2015      |
| 2500   | \$1.00                     | 13 | 07/04/2014      |

| Parcel | Min Sale Price (Per Share) | ID | Interest Lodged |
|--------|----------------------------|----|-----------------|
| 10000  | \$1.10                     | 10 | 25/02/2014      |
| 1000   | \$1.10                     | 9  | 14/11/2013      |
| 2500   | \$1.00                     | 7  | 09/09/2013      |
| 29000  | \$0.80                     | 6  | 01/05/2013      |
| 11200  | \$0.80                     | 5  | 01/05/2013      |
| 20000  | \$1.00                     | 4  | 06/11/2012      |
| 5000   | \$2.00                     | 3  | 03/09/2012      |
| 20000  | \$1.50                     | 2  | 19/08/2012      |
| 12700  | \$1.00                     | 1  | 15/03/2012      |

The identity of participants will be disclosed only to persons who register an interest

## Special Market Condition Notices - Low Volume Market (LVM)

Picton & District Community Enterprises Limited does not hold a license to operate a financial market and is not subject to market obligations, in particular the obligation to ensure that the market is fair, transparent and orderly. The market is covered by an exemption under section 791C of the Corporations Act. Picton & District Community Enterprises Limited does not provide a settlement service for trading in the market – it is the responsibility of the parties to a transaction to arrange payment between themselves.

Shares in Picton & District Community Enterprises Limited have characteristics that may differ from mainstream securities.

### Special characteristics of Community Bank® companies

- ‘One shareholder one vote’ constitutions rather than ‘one share one vote’.
- Shareholder limit of 10% of issued capital for individuals and related entities.
- There is a limit on profits that can be distributed to shareholders, including through dividends. By way of overview, the limit is the higher of: (a) 20% of the profits of the Company otherwise available for distribution to shareholders in the financial year, and (b) the relevant rate of return (being the weighted average interest rate on 90 day bank bills over the 12 month period plus 5%) multiplied by the average level of share capital over the 12 month period.

- Persons who do not possess a “close connection” with the community served by Picton & District Community Enterprises Limited can be prohibited from acquiring shares in the Company.
- Share transfers which result in the number of shareholders in Picton & District Community Enterprises Limited falling below a fixed “Base Number” will be prohibited.
- These restrictions are intended to embed the community nature of Picton & District Community Enterprises Limited.
- Directors of Picton & District Community Enterprises Limited have the right to refuse to register any transfer of shares in their unlimited discretion.
- Full details of the restrictions on holding shares and Directors’ powers to refuse to register a transfer of shares are set out in the Company’s constitution. A copy of the constitution is available on request from the Company Secretary
- Stamp duty may apply in your State/Territory. Please refer to the State Revenue Office in your State for details.

## Investor relations...

### Shareholders - Contact Us

#### Company Details:

Picton & District Community Enterprises Ltd  
 ABN - 73 145 546 12  
 PO Box 660  
 Picton NSW 2571

Shop T20 Picton Mall,  
 9-13 Margaret St  
 Picton NSW 2571

#### Secretary Details:

Ally Dench  
 c/- PO Box 660  
 PICTON NSW 2571  
 Phone: 0408 651 923

#### Share Registry Details:

AFS & Associates Pty Ltd  
 61-65 Bull Street  
 Bendigo VIC 3550

Postal Address  
 PO Box 454  
 Bendigo VIC 3552

Phone: 03 5443 0344  
 Fax: 03 5443 5304  
 Email: [shareregistry@afsbendigo.com.au](mailto:shareregistry@afsbendigo.com.au)  
 Web: [www.afsbendigo.com.a](http://www.afsbendigo.com.a)

## Financial Statements...

### Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

|   | Notes | 2019<br>\$ | 2018<br>\$ |
|---|-------|------------|------------|
| Revenue from ordinary activities  | 4     | 739,057    | 684,688    |
| Employee benefits expense   |       | (371,666)  | (312,563)  |
| Charitable donations, sponsorship, advertising and promotion                                      |       | (62,786)   | (31,722)   |
| Occupancy and associated costs  |       | (57,914)   | (57,812)   |
| Systems costs   |       | (20,642)   | (20,887)   |
| Depreciation and amortisation expense   | 5     | (20,644)   | (21,456)   |
| Finance costs   | 5     | (156)      | (2,472)    |
| General administration expenses   |       | (67,220)   | (71,984)   |
| Profit before income tax  |       | 138,029    | 165,792    |
| Income tax expense  | 6     | (38,237)   | (46,144)   |
| Profit after income tax   |       | 99,792     | 119,648    |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: |       | 99,792     | 119,648    |
| Earnings per share  |       | ¢          | ¢          |
| Basic earnings per share  | 22    | 11.28      | 13.53      |

The accompanying notes form part of these financial statements

## Balance Sheet

as at 30 June 2019

|                                      | Notes | 2019<br>\$     | 2018<br>\$     |
|--------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                        |       |                |                |
| Current assets                       |       |                |                |
| Cash and cash equivalents            | 7     | 184,159        | 63,121         |
| Trade and other receivables          | 8     | 55,585         | 56,683         |
| <b>Total current assets</b>          |       | <b>239,744</b> | <b>119,804</b> |
| Non-current assets                   |       |                |                |
| Property, plant and equipment        | 9     | 89,109         | 96,322         |
| Intangible assets                    | 10    | 30,596         | 44,027         |
| Deferred tax asset                   | 11    | 131,711        | 169,948        |
| <b>Total non-current assets</b>      |       | <b>251,416</b> | <b>310,297</b> |
| <b>Total assets</b>                  |       | <b>491,160</b> | <b>430,101</b> |
| <b>LIABILITIES</b>                   |       |                |                |
| Current liabilities                  |       |                |                |
| Trade and other payables             | 12    | 69,563         | 48,641         |
| Provisions                           | 13    | 20,326         | 16,011         |
| <b>Total current liabilities</b>     |       | <b>89,889</b>  | <b>64,652</b>  |
| Non-current liabilities              |       |                |                |
| Trade and other payables             | 12    | 15,580         | 31,161         |
| Provisions                           | 13    | 12,750         | 8,068          |
| <b>Total non-current liabilities</b> |       | <b>28,330</b>  | <b>39,229</b>  |
| <b>Total liabilities</b>             |       | <b>118,219</b> | <b>103,881</b> |
| <b>Net assets</b>                    |       | <b>372,941</b> | <b>326,220</b> |
| <b>EQUITY</b>                        |       |                |                |
| Issued capital                       | 14    | 848,252        | 848,252        |
| Accumulated losses                   | 15    | (475,311)      | (522,032)      |
| <b>Total equity</b>                  |       | <b>372,941</b> | <b>326,220</b> |

| <b>Statement of Changes in Equity<br/>for the year ended 30 June 2019</b> |    | Issued<br>capital | Accumulated<br>losses | Total<br>equity |
|---|----|-------------------|-----------------------|-----------------|
|   |    | \$                | \$                    | \$              |
| Balance at 1 July 2017  |    | 848,252           | (641,680)             | 206,572         |
| Total comprehensive income for the year                                   |    | -                 | 119,648               | 119,648         |
| Transactions with owners in their capacity as owners:                     |    |                   |                       |                 |
| Shares issued during period   |    | -                 | -                     | -               |
| Costs of issuing shares   |    | -                 | -                     | -               |
| Dividends provided for or paid  | 20 | -                 | -                     | -               |
| Balance at 30 June 2018   |    | 848,252           | (522,032)             | 326,220         |
| Balance at 1 July 2018  |    | 848,252           | (522,032)             | 326,220         |
| Total comprehensive income for the year                                   |    | -                 | 99,792                | 99,792          |
| Transactions with owners in their capacity as owners:                     |    |                   |                       |                 |
| Shares issued during period   |    | -                 | -                     | -               |
| Costs of issuing shares   |    | -                 | -                     | -               |
| Dividends provided for or paid  | 20 | -                 | (53,071)              | (53,071)        |
| Balance at 30 June 2019   |    | 848,252           | (475,311)             | 372,941         |

| <b>Statement of Cash Flows for the year ended<br/>30 June 2019</b> |      | 2019      | 2018      |
|--|------|-----------|-----------|
| Notes  |      | \$        | \$        |
| Cash flows from operating activities                               |      |           |           |
| Receipts from customers  |      | 812,950   | 749,170   |
| Payments to suppliers and employees                                |      | (625,860) | (555,365) |
| Interest received  |      | 606       | -         |
| Interest paid  |      | (156)     | (2,472)   |
| Net cash provided by operating activities                          |      | 16        | 187,540   |
| Cash flows from investing activities                               |      |           |           |
| Payments for property, plant and equipment                         |      | -         | (2,441)   |
| Payments for intangible assets                                     |      | (13,431)  | (13,431)  |
| Net cash used in investing activities                              |      | (13,431)  | (15,872)  |
| Cash flows from financing activities                               |      |           |           |
| Dividends paid   | 20   | (53,071)  | -         |
| Net cash used in financing activities                              |      | (53,071)  | -         |
| Net increase in cash held  |      | 121,038   | 175,461   |
| Cash and cash equivalents at the beginning of the financial year   |      | 63,121    | (112,340) |
| Cash and cash equivalents at the end of the financial year         | 7(a) | 184,159   | 63,121    |

# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019

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### Note 1. Summary of significant accounting policies

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#### a) Basis of preparation

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

#### *Compliance with IFRS*

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

#### *Critical accounting estimates*

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

#### *Historical cost convention*

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

#### *Comparative figures*

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

#### *Application of new and amended accounting standards*

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

#### *AASB 15 Revenue from Contracts with Customers*

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

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

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

# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

a) Basis of preparation (continued) *Application of new and amended accounting standards (continued)*

#### *AASB 9 Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces

*AASB 139 Financial Instruments: Recognition and Measurement.*

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

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

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

#### *AASB 16 Leases*

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$273,469.



## Picton & District Community Enterprises Limited

### Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

##### a) Basis of preparation (continued) *Economic dependency - Bendigo and Adelaide Bank Limited*

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

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

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

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

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

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

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

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

# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

#### b) Revenue

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

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

#### *Revenue calculation*

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

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

#### *Core banking products*

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

#### *Margin*

Margin is arrived at through the following calculation:

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

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

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

#### *Commission*

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

#### *Fee income*

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

## Picton & District Community Enterprises Limited

### Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

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##### b) Revenue *(continued)* Discretionary financial contributions

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

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

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

##### *Ability to change financial return*

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

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

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

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

##### *Monitoring and changing financial return*

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

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

##### c) Income tax

###### *Current tax*

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

# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

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#### c) Income tax *(continued)* Deferred tax

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

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

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

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

#### *Current and deferred tax for the period*

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

#### d) Employee entitlements

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

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

#### e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

#### f) Trade receivables and payables

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

# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

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#### g) Property, plant and equipment

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

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

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

|                          |          |       |
|--------------------------|----------|-------|
| - leasehold improvements | 5 - 15   | years |
| - plant and equipment    | 2.5 - 40 | years |

#### h) Intangibles

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

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

#### i) Payment terms

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

#### j) Borrowings

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

#### k) Financial instruments

##### *Recognition and initial measurement*

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

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

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

# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

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#### k) Financial instruments *(continued)* Classification and subsequent measurement

##### (i) Financial liabilities

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

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

##### (ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

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

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

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

#### *Derecognition*

##### (i) Derecognition of financial liabilities

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

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

##### (ii) Derecognition of financial assets

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

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

## Picton & District Community Enterprises Limited

### Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

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##### k) Financial instruments *(continued)* Impairment

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

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

##### *Recognition of expected credit losses in financial statements*

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

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

##### l) Leases

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

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

# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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

#### m) Provisions

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

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

#### n) Issued capital

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

#### o) Earnings per share

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

#### p) Goods and Services Tax

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

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

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

### Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

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

#### (i) Market risk

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

#### (ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.



# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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### Note 2. Financial risk management (*continued*)

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#### (iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

#### *Expected credit loss assessment for Bendigo and Adelaide Bank Limited*

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

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

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

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

#### *Expected credit loss assessment for other customers*

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

#### (i) Liquidity risk

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

#### (ii) Cash flow and fair value interest rate risk

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

## Picton & District Community Enterprises Limited

### Notes to the Financial Statements for the year ended 30 June 2019 (con't)

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#### Note 2. Financial risk management (*continued*)

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##### (iv) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2019 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

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#### Note 3. Critical accounting estimates and judgements

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

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

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

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

##### *Taxation*

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

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

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

Picton & District Community Enterprises Limited  
Notes to the Financial Statements for the year ended 30 June 2019 (con't)

Note Critical accounting estimates and judgements (continued)

*Estimation of useful lives of assets*

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

*Impairment of assets*

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

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

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

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

| Note 4. | Revenue from ordinary activities        | 2019           | 2018           |
|---------|---|----------------|----------------|
|         |   | \$             | \$             |
|         | Operating activities:                   |                |                |
|         | - gross margin                          | 646,582        | 586,360        |
|         | - services commissions                  | 26,648         | 27,365         |
|         | - fee income                            | 30,221         | 35,963         |
|         | - market development fund               | 35,000         | 35,000         |
|         | Total revenue from operating activities | <u>738,451</u> | <u>684,688</u> |
|         | Non-operating activities:               |                |                |
|         | - interest income                       | <u>606</u>     | <u>-</u>       |
|         | Total revenues from ordinary activities | <u>739,057</u> | <u>684,688</u> |

Picton & District Community Enterprises Limited  
Notes to the Financial Statements for the year ended 30 June 2019 (con't)

| Note 5. | Expenses                            | 2019          | 2018          |
|---------|-------------------------------------|---------------|---------------|
|         |                                     | \$            | \$            |
|         | Depreciation of non-current assets: |               |               |
|         | - plant and equipment               | 3,735         | 4,278         |
|         | - leasehold improvements            | 3,478         | 3,747         |
|         | Amortisation of non-current assets: |               |               |
|         | - franchise agreement               | 2,239         | 2,239         |
|         | - franchise renewal fee             | 11,192        | 11,192        |
|         |                                     | <u>20,644</u> | <u>21,456</u> |
|         | Finance costs:                      |               |               |
|         | - interest paid                     | <u>156</u>    | <u>2,472</u>  |
|         | Bad debts                           | 1,009         | 834           |

Note 6. Income tax expense

The components of tax expense comprise:

|  |               |               |
|--|---------------|---------------|
| - Future income tax benefit attributable to losses | (3,065)       | 3,990         |
| - Movement in deferred tax                         | 41,302        | 42,154        |
|  | <u>38,237</u> | <u>46,144</u> |

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

|   |               |               |
|---|---------------|---------------|
| Operating profit  | 138,029       | 165,792       |
| Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%) | 37,958        | 45,593        |
| Add tax effect of:  |               |               |
| - non-deductible expenses   | 279           | 551           |
| - timing difference expenses  | 3,065         | (3,990)       |
|   | <u>41,302</u> | <u>42,154</u> |
| Movement in deferred tax  | (3,065)       | 3,990         |
|   | <u>38,237</u> | <u>46,144</u> |

| Note 7. Cash and cash equivalents | 2019           | 2018          |
|-----------------------------------|----------------|---------------|
|                                   | \$             | \$            |
| Cash at bank and on hand          | <u>184,159</u> | <u>63,121</u> |

The company have overdraft with an approved limit of \$230,000. Interest on the bank overdraft is calculated using a variable rate. The bank overdraft is secured by a by a fixed and floating charge over the company's assets. Current interest rate is 3.771%

Picton & District Community Enterprises Limited  
Notes to the Financial Statements for the year ended 30 June 2019 (con't)

| Note 7.(a) Reconciliation to cash flow statement | 2019 | 2018 |
|--|------|------|
|  | \$   | \$   |

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

|                          |                |               |
|--------------------------|----------------|---------------|
| Cash at bank and on hand | <u>184,159</u> | <u>63,121</u> |
|--------------------------|----------------|---------------|

| Note 8. Trade and other receivables | 2019          | 2018          |
|-------------------------------------|---------------|---------------|
| Trade receivables                   | 50,615        | 51,924        |
| Prepayments                         | 4,970         | 3,558         |
| Other receivables and accruals      | -             | 1,201         |
|                                     | <u>55,585</u> | <u>56,683</u> |

| Note 9. Property, plant and equipment | 2019          | 2018          |
|---------------------------------------|---------------|---------------|
| Leasehold improvements                |               |               |
| At cost                               | 116,688       | 116,688       |
| Less accumulated depreciation         | (42,738)      | (39,260)      |
|                                       | <u>73,950</u> | <u>77,428</u> |
| Plant and equipment                   |               |               |
| At cost                               | 66,559        | 66,559        |
| Less accumulated depreciation         | (51,400)      | (47,665)      |
|                                       | <u>15,159</u> | <u>18,894</u> |
| Total written down amount             | <u>89,109</u> | <u>96,322</u> |

| Note 9. Property, plant and equipment (continued) | 2019          | 2018          |
|---|---------------|---------------|
|   | \$            | \$            |
| Movements in carrying amounts:                    |               |               |
| Leasehold improvements                            |               |               |
| Carrying amount at beginning                      | 77,428        | 81,175        |
| Less: depreciation expense                        | (3,478)       | (3,747)       |
| Carrying amount at end                            | <u>73,950</u> | <u>77,428</u> |
| Plant and equipment                               |               |               |
| Carrying amount at beginning                      | 18,894        | 20,731        |
| Additions   | -             | 2,441         |
| Less: depreciation expense                        | (3,735)       | (4,278)       |
| Carrying amount at end                            | <u>15,159</u> | <u>18,894</u> |
| Total written down amount                         | <u>89,109</u> | <u>96,322</u> |

Picton & District Community Enterprises Limited  
Notes to the Financial Statements for the year ended 30 June 2019 (con't)

| Note | Intangible assets              | 2019          | 2018          |
|------|--------------------------------|---------------|---------------|
|      | Establishment fee              |               |               |
|      | At cost                        | 100,000       | 100,000       |
|      | Less: accumulated amortisation | (100,000)     | (100,000)     |
|      |                                | <u>-</u>      | <u>-</u>      |
|      | Franchise fee At cost          |               |               |
|      |                                | 21,192        | 21,192        |
|      | Less: accumulated amortisation | (16,093)      | (13,854)      |
|      |                                | <u>5,099</u>  | <u>7,338</u>  |
|      | Renewal processing fee At cost |               |               |
|      |                                | 55,961        | 55,961        |
|      | Less: accumulated amortisation | (30,464)      | (19,272)      |
|      |                                | <u>25,497</u> | <u>36,689</u> |
|      | Total written down amount      | <u>30,596</u> | <u>44,027</u> |

| Note 11. | Tax  | 2019           | 2018           |
|----------|--|----------------|----------------|
|          |  | \$             | \$             |
|          | Non-current:   |                |                |
|          | Deferred tax assets  |                |                |
|          | - accruals   | -              | 770            |
|          | - employee provisions  | 9,096          | 6,622          |
|          | - tax losses carried forward   | 128,364        | 169,666        |
|          |  | <u>137,460</u> | <u>177,058</u> |
|          | Deferred tax liability   |                |                |
|          | - property, plant and equipment  | 5,749          | 7,110          |
|          |  | <u>5,749</u>   | <u>7,110</u>   |
|          | Net deferred tax asset   | <u>131,711</u> | <u>169,948</u> |
|          | Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income | <u>38,237</u>  | <u>46,144</u>  |

Note 12. Trade and other payables

|  |                              |               |               |
|--|------------------------------|---------------|---------------|
|  | Current:                     |               |               |
|  | Trade creditors              | 7,900         | 468           |
|  | Other creditors and accruals | 61,663        | 48,173        |
|  |                              | <u>69,563</u> | <u>48,641</u> |
|  | Non-current:                 |               |               |
|  | Other creditors and accruals | <u>15,580</u> | <u>31,161</u> |

Picton & District Community Enterprises Limited  
Notes to the Financial Statements for the year ended 30 June 2019 (con't)

Note 13. Provisions

Current:

|                            |        |        |
|----------------------------|--------|--------|
| Provision for annual leave | 20,326 | 16,011 |
|----------------------------|--------|--------|

Non-current:

|                                  |        |       |
|----------------------------------|--------|-------|
| Provision for long service leave | 12,750 | 8,068 |
|----------------------------------|--------|-------|

| Note 14. Issued capital                            | 2019           | 2018           |
|--|----------------|----------------|
|  | \$             | \$             |
| 884,509 ordinary shares fully paid (2018: 884,509) | 884,509        | 884,509        |
| Less: equity raising expenses                      | (36,257)       | (36,257)       |
|  | <u>848,252</u> | <u>848,252</u> |

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

# Picton & District Community Enterprises Limited

## Notes to the Financial Statements for the year ended 30 June 2019 (con't)

### Note 14. Issued capital (continued)

#### Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 192. As at the date of this report, the company had 213 shareholders.

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

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

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

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

| Note 15. Accumulated losses                          | 2019             | 2018             |
|--|------------------|------------------|
|  | \$               | \$               |
| Balance at the beginning of the financial year       | (522,032)        | (641,680)        |
| Net profit from ordinary activities after income tax | 99,792           | 119,648          |
| Dividends paid or provided for                       | (53,071)         | -                |
| Balance at the end of the financial year             | <u>(475,311)</u> | <u>(522,032)</u> |

| Note 16. Statement of cash flows   | 2019           | 2018           |
|--|----------------|----------------|
|  | \$             | \$             |
| Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities |                |                |
| Profit from ordinary activities after income tax   | 99,792         | 119,648        |
| Non cash items:  |                |                |
| - depreciation   | 7,213          | 8,025          |
| - amortisation   | 13,431         | 13,431         |
| Changes in assets and liabilities:   |                |                |
| - (increase)/decrease in receivables   | 1,098          | (4,542)        |
| - (increase)/decrease in other assets  | 38,237         | 45,410         |
| - (increase)/decrease in payables  | 18,772         | 9,183          |
| - (increase)/decrease in provisions  | 8,997          | 178            |
| Net cash flows provided by operating activities  | <u>187,540</u> | <u>191,333</u> |



Picton & District Community Enterprises Limited  
Notes to the Financial Statements for the year ended 30 June 2019 (con't)

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements Payable - minimum lease payments:

|                                 |               |                |
|---------------------------------|---------------|----------------|
| - not later than 12 months      | 38,607        | 37,344         |
| - between 12 months and 5 years | 41,825        | 74,688         |
|                                 | <u>80,432</u> | <u>112,032</u> |

The business premises lease was renewed on 1 July 2016. The property lease is a non-cancellable lease with a five-year term, with an option available to further renew for 5 years.

Note 18. Auditor's remuneration

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

|                             |              |              |
|-----------------------------|--------------|--------------|
| - audit and review services | 4,600        | 4,400        |
| - share registry services   | 2,393        | 1,885        |
| - non audit services        | 2,730        | 2,430        |
|                             | <u>9,723</u> | <u>8,715</u> |

Note 19. Director and related party disclosures

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

Tia Louise Veech  
Josephus Huibertus Muller  
Alison Nancy Dench  
Phillip Lee Digger  
Evelyn Szumski  
Linda Maree Difrancesco  
Tristan Triffitt  
Leanne Maree Anderson  
Melissa Thompson  
Hilton James Gibbs (*Appointed 28 November 2018*)

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

| Directors Shareholdings                                 | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| Tia Louise Veech  | 2,000       | 2,000       |
| Josephus Huibertus Muller                               | 500         | 500         |
| Alison Nancy Dench                                      | 1,501       | 1,501       |
| Phillip Lee Digger                                      | 2,001       | 2,001       |
| Evelyn Szumski  | -           | -           |
| Linda Maree Difrancesco                                 | 10,000      | 10,000      |
| Tristan Triffitt  | -           | -           |
| Leanne Maree Anderson                                   | 1,000       | 1,000       |
| Melissa Thompson  | -           | -           |
| Hilton John Gibbs ( <i>Appointed 28 November 2018</i> ) | -           | -           |

There was no movement in directors shareholdings during the year.

Picton & District Community Enterprises Limited  
Notes to the Financial Statements for the year ended 30 June 2019 (con't)

| Note 20.                                 | Dividends provided for or paid                     | 2019          | 2018 |
|--|--|---------------|------|
|  |  | \$            | \$   |
| <i>a. Dividends paid during the year</i> |  |               |      |
| Current year dividend                    |  |               |      |
|  | Unfranked dividend - 6 cents (2018: Nil) per share | <u>53,071</u> |      |

Note 21. Key management personnel disclosures

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

Note 22. Earnings per share

|     |  |         |         |
|-----|--|---------|---------|
| (a) | Profit attributable to the ordinary equity holders of the company used in calculating earnings per share   | 99,792  | 119,648 |
|     |  | Number  | Number  |
| (b) | Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 884,509 | 884,509 |

Note 23. Events occurring after the reporting date

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

Note Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

|                      |                             |
|----------------------|-----------------------------|
| Registered Office    | Principal Place of Business |
| Shop T20 Picton Mall | Shop T20 Picton Mall        |
| 9 Margaret Street    | 9 Margaret Street           |
| PICTON NSW 2571      | PICTON NSW 2571             |

Picton & District Community Enterprises Limited  
Notes to the Financial Statements for the year ended 30 June 2019 (con't)

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

| Financial instrument      | Floating interest |        | Fixed interest rate maturing in |      |                   |      |              |      | Non interest bearing |        | Weighted average |      |
|---------------------------|-------------------|--------|---------------------------------|------|-------------------|------|--------------|------|----------------------|--------|------------------|------|
|                           |                   |        | 1 year or less                  |      | Over 1 to 5 years |      | Over 5 years |      |                      |        |                  |      |
|                           | 2019              | 2018   | 2019                            | 2018 | 2019              | 2018 | 2019         | 2018 | 2019                 | 2018   | 2019             | 2018 |
|                           | \$                | \$     | \$                              | \$   | \$                | \$   | \$           | \$   | \$                   | \$     | %                | %    |
| Financial assets          |                   |        |                                 |      |                   |      |              |      |                      |        |                  |      |
| Cash and cash equivalents | 184,159           | 63,121 | -                               | -    | -                 | -    | -            | -    | -                    | -      | 2.64             | 5.04 |
| Receivables               | -                 | -      | -                               | -    | -                 | -    | -            | -    | 50,615               | 51,924 | N/A              | N/A  |
| Financial liabilities     |                   |        |                                 |      |                   |      |              |      |                      |        |                  |      |
| Payables                  | -                 | -      | -                               | -    | -                 | -    | -            | -    | 7,900                | 468    | N/A              | N/A  |

*Net Fair Values*

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

*Credit Risk*

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

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

*Interest Rate Risk*

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

*Sensitivity Analysis*

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

As at 30 June 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

|                                 | 2019    | 2018  |
|---------------------------------|---------|-------|
|                                 | \$      | \$    |
| Change in profit/(loss)         |         |       |
| Increase in interest rate by 1% | 1,842   | 631   |
| Decrease in interest rate by 1% | (1,842) | (631) |
| Change in equity                |         |       |
| Increase in interest rate by 1% | 1,842   | 631   |
| Decrease in interest rate by 1% | (1,842) | (631) |

## Picton & District Community Enterprises Limited Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Tia Louise Veech, Chair

Signed on the 6th of September 2019.

# Independent Auditors Report...



## Independent auditor's report to the members of Picton & District Community Enterprises Limited

### Report on the audit of the financial report

#### Our opinion

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

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

#### What we have audited

Picton & District Community Enterprises Limited's (the company) financial report comprises the:

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

#### Basis for opinion

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

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

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

#### Other information

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

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

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

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

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

#### **Directors' responsibility for the financial report**

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

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

#### **Auditor's responsibility for the audit of the financial report**

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

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 6 September 2019



**Joshua Griffin**  
Lead Auditor

## Contact Us...

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[Secretary.picton@communitybank.org.au](mailto:Secretary.picton@communitybank.org.au)

### Services

- ATM (pin changing)
- Business Banker
- Financial Planner

### Operating Hours:

Mon-Fri 9:00am-5:00pm

Sat 9:00am-12:00pm

### BSB:

633-000

### Facebook:

Facebook Picton & District Community Bank® Branch of Bendigo Bank

Picton **Community Bank**@ Branch  
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