

# Annual Report 2021

Balnarring & District  
Community Services Limited

Community Bank  
Balnarring & District  
ABN 84 127 842 059

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# Chair's report

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For year ending 30 June 2021

It is with much pleasure that I present the 13th Annual Report of Balnarring & District Community Services Limited. Despite our hopes that 2021 would be significantly better than 2020, we find ourselves still responding to a pandemic that has challenged and disrupted life as we know it, in more ways than we could have imagined.

At a local level we continue to see a significant impact on those activities, events and projects that our many wonderful community groups, organisations and schools have provided over the years. We know that this has caused dismay and a loss of connection for many, as their regular opportunities for getting together with others to share a favourite past time or sporting event have diminished or disappeared.

The impact continues to have implications for banking as we have adapted to meet the challenges, whilst not forgetting our long-standing ethos to care for our customers, our communities and for each other. We know that many others now also realise the importance of community and understand the ways in which our local Community Bank provides support and assistance in difficult times such as these.

As you will see in this Annual Report, our profit after tax this financial year is down as a result of a combination of factors - a change in mix with lower loans and higher deposits, combined with a reduction in margins. Despite this, the company is in a strong financial position and was able to continue its significant investment in the community.

The Board, along with our staff, continues to focus on those business-building strategies we are able to implement in these constrained times. As opportunities to speak at gatherings and meetings are now, of necessity, very limited we rely on other effective forms of communication to get our message out and social media will continue to play an important part in our determination to stay engaged with and aware of, the needs of our communities. Advocacy from those who value what we do is also invaluable.

We continue to have an extremely effective relationship with our partner, Bendigo and Adelaide Bank Limited and together we have supported our customers and our communities as they have been affected by events beyond their control over the past year. Bendigo Bank and the Community Bank network continue to work together ensure that we are operating to maximise opportunities for our businesses.

Supporting our customers, both retail and business, is front of mind for our branch staff and our company is very proud of our Love Local program, launched in October 2020. This program is designed to encourage locals to shop in their communities rather than in other areas, helping these vital businesses to keep their doors open and reinforcing the importance of our purpose of feeding into prosperity, not off it.

The support of our shareholders and customers has never been so essential as we continue to grow the business to ensure our success and enable us to invest more in our communities. We were, therefore, very pleased to pay our ninth dividend of 10.0 cents per share fully franked in August 2020, a total payment to shareholders of \$84,000.

Shareholders can be assured that your Board continues to meet high standards of corporate governance, performance and compliance and strives for representation from the breadth of our district and society. Mark Holland resigned from the Board at the end of this financial year and we thank Mark for his contribution to our company during his time as a director and look forward to continuing to work with him through his extensive involvement in the Flinders community.

I would like to thank my fellow directors, current and past, for their ongoing commitment to our company and communities. Their expertise and personal involvement in community groups from Somers down to Flinders has ensured that we maintain our high standards, community engagement and are able to support our branch team effectively. Thank you also to our Board Administration Officer, Melinda Symes, for her ongoing and outstanding professional support.

Community banking is based on a 'profit-with-purpose' model, which means our profits are returned directly to the community that has generated them. The banking of our wonderful customers is making a real difference simply because they bank with us and during 2020/21 we invested a total of \$280,167 in our community as sponsorships, donations and funds invested for future community projects, along with dividend payments.

The success of Community Bank Balnarring & District has meant that we have grown to be one of the biggest sources of community funding in our district and we have supported programs that are changing lives, protecting our environment and assisting with provision of a range of activities and facilities in the arts through to sports. Early in 2021 we donated a total of \$20,000 to local junior community groups to encourage young people to return to their club and groups, because we know that social connection and a sense of community is vital during these times.

This is our point of difference – sharing our profits with our communities and we are very proud indeed to report that the end of the 2020/21 financial year saw a total return to community since we opened in 2008 of \$1,929,198 in the form of sponsorships and grants, funds invested for future community projects and dividend payments.

## Chair's report (continued)

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The continued support of our loyal shareholders and customers is essential to this ongoing success, so thank you to the many local residents who have realised that who they bank with does matter – they know that their everyday banking helps create, support and sustain positive change in their local community.

We also thank the many community groups which have so effectively continued to offer opportunities for social connection, along with the hundreds of local residents in our broader communities who now volunteer to give back to their community by supporting others whose lives have been impacted.

Integral to the success of Community Bank Balnarring & District is our wonderful staff team of Greg, Delwyn, Glenys, Milly and Jo, without whom our customers would not have had the caring and knowledgeable support and assistance always on offer. During the year former staff members Tracey, Joanna and Sharra took up other job opportunities and we thank you for their contributions to our business. As essential workers, our staff members have turned up every day and dealt with ongoing changes in working conditions with absolute professionalism and for that we thank them enormously.

Finally, thank you also to our Regional Manager Kristy Marshall and the ever-helpful Bendigo Bank team, for their invaluable support and assistance over this past year.

Knowing that many people have discovered a new sense of community and connection as we have navigated our way through this pandemic, it is our hope that together we can build on this to create an even more caring, connected and inclusive community, as we return to whatever our new version of 'normal' will be.

Be assured that Community Bank Balnarring & District will be there as a strong partner to support and invest in the sustainability of our local communities, because that's the power of community banking. Together and with mutual support, we can prosper and make a difference, because as Paul Born said:

**“The greatest asset of any community is simply people who care.”**



**Heather Goddard**  
**Chair**

# Manager's report

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## For year ending 30 June 2021

It is with great pleasure that I present this report, recognising that the financial year ending 30 June 2021 has been challenging for Community Bank Balnarring & District, given the impacts the current COVID-19 pandemic is having on all aspects of our economy and communities.

While the effects have been felt by all, the pandemic coincided with an economic impact on our business through a decrease in deposit interest rates and income margins on lending facilities as we strive to remain competitive in the financial services marketplace, which has had an adverse effect on our ability to grow our business.

Total branch business is made up of lending, deposit and other banking business balances. At the end of the financial year, lending balances were at \$61.7 million, a decrease of \$5.7 million, as we saw many customers sell existing properties to take advantage of strong prices for residential properties and repaying their home loans in full, whilst other customers paid down their debts at increased levels. Deposit balances of \$107.8 million were an increase of \$7.2 million as customers searched for better returns for their investments, with other banking business at \$6.6 million, an increase of \$2.00 million.

We have been challenged in many ways by how we need to conduct our business with lockdowns, QR codes, how we meet with customers and virtual meetings. Staff, with the support of our board, have done an exceptional job to ensure that the effect on our branch has been kept to a minimum.

Given the banking environment in which we have been operating, our end of year result has been supported by the fantastic work of our staff and board members and the continued support of our local community.

Our challenge going forward is to continue to grow our business and strengthen relationships with the community to ensure even greater outcomes for the community. This growth is only possible through the continued support of existing customers doing more of their banking with Community Bank Balnarring & District and the introduction of new customers to the branch, who currently do not bank with Bendigo Bank.

I would ask all existing customers to actively promote our branch to your family and friends to encourage them to at least talk to us, so that they can see the benefits of banking with a local Community Bank branch.

I would like to take this opportunity to thank my staff. We had new team members, Delwyn Rayner, Milly May and Jo Terry joining existing staff Glenys Wandmaker and Melinda Symes. They have ensured that each day we make our customers' experiences with us enjoyable. All have taken on the extra responsibilities imposed on them during lockdown, to ensure that our branch has remained open for our customers and our community. They are to be congratulated for their efforts, professionalism, level of service and commitment to both our customers and the community. It is a pleasure to work with such a dedicated team.

During the year, we had Sharra Valentine, Jo Albress and Tracey Cullum leave to take up other opportunities that had become available to them. I would like to express my thanks to them for the contribution they made to our team during their time with us.

A big thank you to our partner Bendigo Bank, especially our regional team lead by Regional Manager Kristy Marshall and her State Operations team. The fantastic support we receive from Kristy and her team has certainly contributed to our successful year and is very much appreciated.

At board level, there has been continued support for the branch and community. We have a terrifically active board of directors, led by the passionate Heather Goddard and I would like to pass on my thanks to each and every director. Our Board continues to be the envy of many other Community Bank companies for the diligence with which they undertake their director duties.

Community Bank Balnarring & District has a wonderful relationship with our community and the many community groups that we have been able to support. Thank you to all the members of these groups and the broader community for your support.

What we do is unique and we are well and truly on track to give back to our community a further \$1 million within the five years we committed to back in 2018. This year we have contributed a total of \$280,167, with a total contribution of \$1,929,198.00 since opening the branch in 2008.

Thank you to everyone for your support and I look forward to working with you all during the coming year to ensure that we continue to grow and create an even greater impact within our community. I wish everyone a successful year.



**Greg Hood**  
**Branch Manager**

# Dividend payment history

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Dividend to shareholders			
Financial Year	Amount Per Share	Franking Level*	Date Paid
2019/2020	\$0.10	Franked	31/08/2020
2018/2019	\$0.08	Franked	30/08/2019
2017/2018	\$0.08	Franked	31/08/2018
2016/2017	\$0.07	Unfranked	18/08/2017
2015/2016	\$0.06	Unfranked	30/08/2016
2014/2015	\$0.055	Unfranked	30/10/2015
2013/2014	\$0.05	Unfranked	13/10/2014
2012/2013	\$0.03	Unfranked	15/11/2013
2011/2012	\$0.02	Unfranked	15/6/2013

# Community investments

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## Community Bank Balnarring & District community groups and organisations supported to 30 June 2021

1st Balnarring Scouts	Hastings Pony Club
3RPP	Lions Club of Balnarring
Anzac Organisation	Lord Somers Camp
Balnarring Bowls & Social Club	Merricks Coolart Catchment Group
Balnarring Bridge Magazine	Merricks Station Reserve
Balnarring Cricket Club	Merricks Yacht Club
Balnarring & District Netball Club	Mornington Peninsula Beekeepers Association
Balnarring Fire Brigade	Mornington Peninsula Cricket Association
Balnarring Foreshore Committee	Mornington Peninsula Foundation
Balnarring Historical Society	Mornington Peninsula Koala Tree Planting
Balnarring Ladies Probus	Mornington Peninsula Shire Programs
Balnarring Musos	Mornington Masters Swimmers Club
Balnarring Community Child Care	Peninsula Hospice (including Westernport Friends of Hospice)
Balnarring Picnic Races	Peninsula Summer Music Festival
Balnarring Pony Club	Point Leo Foreshore Committee
Balnarring Pre-School	Point Leo Life Saving Club
Balnarring Primary School	Presentation Family Centre
Balnarring Senior Citizens	Probus Club of Balnarring
Balnarring Storm Basketball Club	Red Hill Agricultural & Horticultural Society
Balnarring Tennis Club	Red Hill Riders Mountain Bike Club
Balnarring Thunder Junior Football Club	Riding for the Disabled Association Victoria, Peninsula Group
Balnarring Village Common	Semiquavers
Bittern Fire Brigade	Shoreham Fire Brigade
Boomerang Bags Balnarring	Shoreham Residents Association
Boomerang Bags Somers	Somers Art Fair
Bundjils Nest	Somers Chamber Music Society
Carriage Driving for Disabled, Mornington	Somers Fire Brigade
Crib Point Football Netball Club	Somers Girl Guides
Daimler Lanchester Club	Somers Neighbourhood Watch
Disabled Surfers Association	Somers Paper Nautilus
Dromana College Scholarship	Somers Pre-School
Emu Plains Committee of Management	Somers Primary School
Flinders Community Association	Somers Residents Association
Flinders District Historical Society	Somers School Camp
Flinders Rural Fire	Somers Tennis Club
Flinders Art Show	Somers Yacht Club
Flinders Bowls Club	Sustainability Fair
Flinders Cricket Club	St Johns Flinders, Recital
Flinders Golf Club	St Marks Church
Flinders Junior Golf Academy	Victoria Farmers Federation
Flinders Lions Club	Westernport Model Aircraft Club
Flinders Pre-School	Westernport Yacht Club
Flinders Singers	
Flinders Yacht Club	
Frankston Peninsula Carers Inc	
Friends of Bill Carroll Reserve	
Friends of Coolart	
Friends of Flinders Coastline	
HALT mental health awareness	
Hastings Cancer Support Group	

# Message from Bendigo and Adelaide Bank

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For year ending 30 June 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each another and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



**Collin Brady**  
**Head of Community Development.**



# Director's report

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The directors present their financial statements of the company for the financial year ended 30 June 2021

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## Directors

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

Heather Goddard

Chair

Occupation: Retired

Qualifications, experience and expertise: Diploma of Teaching Primary & Graduate Diploma in Educational Studies (Learning Difficulties in Language and Mathematics). Retired primary teacher. State Parliamentary Electorate Officer 1982-1986. Balnarring Primary School Early Years Literacy Co-ordinator 1993-2009; BPS Sustainability Co-ordinator 2009-2011. Founding member of the Balnarring Community Wetlands Committee; member of the Friends of Balbirirooro Wetlands; member of the Merricks-Coolart Catchment Landcare Group.

Special responsibilities: Chair, Governance & Shareholder Relations Committee, Marketing & Sponsorship Committee, Public Relations Co-ordinator and Human Resources Committee.

Interest in shares: 1,500 ordinary shares

Christopher John Gurney

Non-executive director

Occupation: Director

Qualifications, experience and expertise: Qualifications, experience and expertise: Bachelor of Economics Monash University. Graduate of Australian Institute of Company Directors. Past positions in Marketing and General Management with Unilever, Beecham, SCA and Bakers Delight. Key roles were Acting Managing Director Sancella SCA UK, General Manager Deeko, Logistics and Purchasing Manager CHH/SCA, President COBS Bread North America (Bakers Delight), GM Marketing and Operations Bakers Delight Australia and NZ. Current positions part time, Director Bakers Delight Holdings Ltd.

Special responsibilities: Treasurer, Business Development Committee and Finance & Budget Committee Convenor.

Interest in shares: 19,400 ordinary shares

Mark John Laughton

Non-executive director

Occupation: Lawyer

Qualifications, experience and expertise: Mark has worked as a Lawyer at BSA Legal Balnarring since 2011 prior to being a member of Victoria Police for 23 years. Marks holds a Bachelor of Law (Honours), Graduate Diploma in Legal Practice and a Cert IV in Workplace Training and assessment. He is the Vice-President of the Crib Point Football Netball Club and a life membership of the Balnarring Junior Football club.

Special responsibilities: Human Resources Committee, Governance & Shareholder Relations Committee and Property Coordinator.

Interest in shares: nil share interest held

Ronald Graham Kempster

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Completed tertiary studies in the UK and holds qualifications in Engineering and Industrial engineering. In Melbourne, added a Graduate Diploma of Management Systems from Swinburne. Since moving to Melbourne in 1971 Ron has held Business Consultant and IT management positions with a major Australian airline, a Quality Manager position with a national computer group and was Operations Support Manager with a long established financial services company. Involvement in several local community groups, some as treasurer.

Special responsibilities: Business Development Committee, Marketing & Sponsorship Committee and Finance & Budget Committee.

Interest in shares: nil share interest held

# Director's report (continued)

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## Directors (continued)

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Stuart Whiteley

Non-executive director

Occupation: Senior Manager/Executive

Qualifications, experience and expertise: Stuart is a successful business executive with extensive commercial, strategic and program management expertise across a range of international companies. His work and experience have taken him around the world, and he has a proven track record in the delivery of large and complex high technology programs reflecting his energetic and innovative management style. At home he is a keen photographer, bush walker and enjoys camping with his family. Stuart have lived in the area for several years in Somers and more recently Bittern. Stuart and his wife Sarah have quickly grown to love the beauty and tranquility of the area. He is an enthusiastic and committed member of the board and relishes the opportunity to bring his experience and knowledge to make a difference into the local community.

Special responsibilities: Governance and Shareholder Relations Committee and Business Development Committee Convenor.

Interest in shares: nil share interest held

Pamela Elizabeth Ford

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Tertiary qualifications: Diploma of Welfare Studies, B.Arts Sociology and Human Resources, Monash University. Mornington Obedience Dog Club, Secretary; Western Port Visitors Information Centre and extensive experience in senior positions in Local Government and Community Organizations.

Special responsibilities: Human Resources Committee Convenor.

Interest in shares: nil share interest held

Kym Anthony Bridgford

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Kym worked in the DEECD and rose to Principal of a large successful Secondary College, Koo Wee Rup. Since retirement they have been active in Western Port Tourism working until recently as president. Kym has also been on this board and is active in caring for family and friends.

Special responsibilities: Governance and Shareholder Relations Committee and Marketing & Sponsorship Committee.

Interest in shares: 1,000 ordinary shares

Michael Hartley Treadwell

Non-executive director

Occupation: Urban Planner

Qualifications, experience and expertise: Michael grew up in Red Hill and is a Vice President of Point Leo Surf Lifesaving Club. Michael joined the Board in early 2019 and holds a Bachelor of Environmental Science (2009) and a Masters of Urban Planning (2013). Michael currently works in the infrastructure planning field, having previously spent time working as an urban planner in the residential and commercial fields.

Special responsibilities: Marketing & Sponsorship Committee Convenor.

Interest in shares: 500 ordinary shares

Sarah Jane Moran

Non-executive director

Occupation: Personal Assistant

Qualifications, experience and expertise: I was previously employed at the Australian Racing Museum in Federation square. I am currently employed as a Personal Assistant for a Horse Trainer. I have been involved in the Mornington Carriage Driving for the Disabled for the past 10 years assisting with administration as well as Social Media and Events. I have customer service skills, office management and marketing through my current employment.

Special responsibilities: Marketing & Sponsorship Committee

Interest in shares: nil share interest held

# Director's report (continued)

## Directors (continued)

Mark Andrew Holland

Non-executive director (resigned 30 June 2021)

Occupation: Property Valuation & Advisory - 45 years

Qualifications, experience and expertise: Lives in Flinders. Self-employed - property advisory. President of Flinders District Lions Club Inc. (5th year). Committee member Flinders Community Association (15 years). Proprietor Holland Property - Valuers & Advisors. Previous industry Board roles and senior management positions as well as own businesses. Director, Corporate Finance KPMG - property advisory. Certified Practicing Valuer, Specialist Retail Valuer, Licenced Estate Agent.

Special responsibilities: Business Development Committee

Interest in shares: nil share interest held

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

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

## Company Secretary

The company secretary is Melinda Symes. Melinda was appointed to the position of secretary on 25 November 2015.

Qualifications, experience and expertise: As an experienced Senior Accounts Manager and Customer Relationship Officer, Melinda is well qualified to support the Board and oversee the governance and administrative functions of the company.

## Principal activity

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

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

## Operating results

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

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
58,413	128,296

## Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Heather Goddard	1,500	-	1,500
Christopher John Gurney	19,400	-	19,400
Mark John Laughton	-	-	-
Ronald Graham Kempster	-	-	-
Stuart Whiteley	-	-	-
Pamela Elizabeth Ford	-	-	-
Kym Anthony Bridgford	1,000	-	1,000
Michael Hartley Treadwell	500	-	500
Sarah Jane Moran	-	-	-
Mark Andrew Holland	-	-	-

# Director's report (continued)

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## Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	10	84,000

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## Significant changes in the state of affairs

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

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

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## Events since the end of the financial year

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 10 cents per share, to be paid on 30 August 2021. The financial impact of the dividend, amounting to \$84,000, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

There are no other 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.

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## Likely developments

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

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## Environmental regulation

The company is not subject to any significant environmental regulation.

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## 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.

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## 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.

# Director's report (continued)

## Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Governance & Stakeholder Relations		Finance & Budget		Human Resources		Business Development		Marketing & Sponsorship	
	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
Heather Goddard	11	11	3	3	-	-	7	7	-	-	11	9
Christopher John Gurney	11	11	-	-	1	1	-	-	4	4	-	-
Mark John Laughton	11	11	3	3	-	-	7	5	-	-	-	-
Ronald Graham Kempster	11	11	-	-	1	1	-	-	4	4	11	11
Stuart Whiteley	11	9	3	3	-	-	-	-	4	4	-	-
Pamela Elizabeth Ford	11	9	-	-	-	-	7	6	-	-	4	3
Kym Anthony Bridgford	11	8	3	3	-	-	-	-	-	-	11	10
Michael Hartley Treadwell	11	9	-	-	-	-	-	-	-	-	11	10
Sarah Jane Moran	11	11	-	-	-	-	-	-	-	-	11	8
Mark Andrew Holland	11	7	-	-	-	-	-	-	4	4	-	-

## Proceedings on behalf of the company

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

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

## Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

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

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

## Director's report (continued)

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### Auditor's independence declaration

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A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the directors at Balnarring, Victoria.



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Heather Goddard, Chair

Dated this 31st day of August 2021

# Auditor's independence declaration

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61 Bull Street  
Bendigo VIC 3550  
afs@afsbendigo.com.au  
03 5443 0344

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

As lead auditor for the audit of Balnarring & District Community Services Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 31 August 2021

**Joshua Griffin**  
Lead Auditor



afsbendigo.com.au

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

# Financial statements

## Statement of Profit and Loss and Other Comprehensive Income for year ending 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	896,164	1,011,239
Other revenue	9	30,750	38,208
Finance income	10	4,581	9,477
Employee benefit expenses	11d)	(403,715)	(382,607)
Charitable donations, sponsorship, advertising and promotion	11c)	(234,513)	(279,924)
Occupancy and associated costs		(43,075)	(39,601)
Systems costs		(19,939)	(21,704)
Depreciation and amortisation expense	11a)	(52,311)	(54,574)
Finance costs	11b)	(7,098)	(8,881)
General administration expenses		(95,627)	(102,804)
<b>Profit before income tax expense</b>		<b>75,217</b>	<b>168,829</b>
Income tax expense	12a)	(16,804)	(40,533)
<b>Profit after income tax expense</b>		<b>58,413</b>	<b>128,296</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>58,413</b>	<b>128,296</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	30a)	6.95	15.27

The accompanying notes form a part of these financial statements



# Financial Statements (continued)

## Statement of Financial Position for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13a)	674,884	687,491
Trade and other receivables	14a)	64,347	92,546
Current tax assets	18a)	12,161	4,113
<b>Total current assets</b>		<b>751,392</b>	<b>784,150</b>
<b>Non-current assets</b>			
Property, plant and equipment	15a)	70,017	96,484
Right-of-use assets	16a)	78,605	69,875
Intangible assets	17a)	25,832	39,054
Deferred tax asset	18b)	30,733	32,217
<b>Total non-current assets</b>		<b>205,187</b>	<b>237,630</b>
<b>Total assets</b>		<b>956,579</b>	<b>1,021,780</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19a)	46,348	64,033
Lease liabilities	20a)	44,057	59,069
Employee benefits	22a)	46,281	36,122
<b>Total current liabilities</b>		<b>136,686</b>	<b>159,224</b>
<b>Non-current liabilities</b>			
Trade and other payables	19b)	-	14,544
Lease liabilities	20b)	59,843	63,723
Employee benefits	22b)	14,194	14,285
Provisions	21a)	27,549	26,110
<b>Total non-current liabilities</b>		<b>101,586</b>	<b>118,662</b>
<b>Total liabilities</b>		<b>238,272</b>	<b>277,886</b>
<b>Net assets</b>		<b>718,307</b>	<b>743,894</b>
<b>EQUITY</b>			
Issued capital	23a)	815,096	815,096
Accumulated losses	24	(96,789)	(71,202)
<b>Total equity</b>		<b>718,307</b>	<b>743,894</b>

The accompanying notes form a part of these financial statements

# Financial Statements (continued)

## Statement of Changes in Equity for the year ended 30 June 2021

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2019</b>		815,096	(132,298)	682,798
Total comprehensive income for the year		-	128,296	128,296
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	29a)	-	(67,200)	(67,200)
<b>Balance at 30 June 2020</b>		<b>815,096</b>	<b>(71,202)</b>	<b>743,894</b>
<b>Balance at 1 July 2020</b>		815,096	(71,202)	743,894
Total comprehensive income for the year		-	58,413	58,413
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	29a)	-	(84,000)	(84,000)
<b>Balance at 30 June 2021</b>		<b>815,096</b>	<b>(96,789)</b>	<b>718,307</b>

The accompanying notes form a part of these financial statements

# Financial Statements (continued)

## Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		996,161	1,159,652
Payments to suppliers and employees		(838,929)	(934,357)
Interest received		6,499	8,660
Interest paid		73	(1,195)
Lease payments (interest component)	11b)	(5,732)	(6,316)
Lease payments not included in the measurement of lease liabilities	11e)	(7,076)	(9,045)
Income taxes paid		(23,369)	(55,845)
<b>Net cash provided by operating activities</b>	25	<b>127,627</b>	<b>161,554</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(5,421)	(25,685)
Proceeds from sale of right-of-use assets		29,091	-
Payments for intangible assets		(13,222)	(13,222)
Payments for right-of-use assets		(47,790)	-
<b>Net cash used in investing activities</b>		<b>(37,342)</b>	<b>(38,907)</b>
<b>Cash flows from financing activities</b>			
Proceeds from lease liabilities		41,850	-
Lease payments (principal component)		(60,742)	(38,023)
Dividends paid	29a)	(84,000)	(67,200)
<b>Net cash used in financing activities</b>		<b>(102,892)</b>	<b>(105,223)</b>
<b>Net cash increase/(decrease) in cash held</b>		<b>(12,607)</b>	<b>17,424</b>
Cash and cash equivalents at the beginning of the financial year		687,491	670,067
<b>Cash and cash equivalents at the end of the financial year</b>	13a)	<b>674,884</b>	<b>687,491</b>

The accompanying notes form a part of these financial statements

# Notes to the Financial Statements

For the year ended 30 June 2021

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**Note 1 Reporting entity**

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This is the financial report for Balnarring & District Community Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 28, Balnarring Village 3050 Frankston Flinders Road Balnarring VIC 3926	Shop 28, Balnarring Village 3050 Frankston Flinders Road Balnarring VIC 3926

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

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**Note 2 Basis of preparation and statement of compliance**

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

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 31 August 2021.

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**Note 3 Changes in accounting policies, standards and interpretations**

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

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**Note 4 Summary of significant accounting policies**

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The company has consistently applied the following accounting policies to all periods presented in these financial statements.

**a) Revenue from contracts with customers**

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

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

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

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

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

#### *Revenue calculation*

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

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

#### *Margin*

Margin is arrived at through the following calculation:

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

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

#### *Commission*

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

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

#### *Fee income*

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

#### *Core banking products*

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

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

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

#### *Ability to change financial return*

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

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

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

### b) Other revenue

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

#### Revenue

#### Revenue recognition policy

Sale of property, plant and equipment

Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

Discretionary financial contributions (also "Market Development Fund" or "MDF" income)

MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

Cash flow boost

Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

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

#### *Discretionary financial contributions*

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

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

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

#### *Cash flow boost*

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

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

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

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2021

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

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### **c)    Economic dependency - Bendigo Bank**

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

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

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

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

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

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

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

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

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2021

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

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### **d) Employee benefits**

#### *Short-term employee benefits*

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

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

#### *Defined superannuation contribution plans*

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

#### *Other long-term employee benefits*

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

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

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

### **e) Taxes**

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

#### *Current income tax*

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

#### *Deferred tax*

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

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

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

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

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



# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

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

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### e) Taxes (continued)

#### *Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

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

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

### f) Cash and cash equivalents

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

### g) Property, plant and equipment

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Plant and equipment	Straight-line and diminishing value	2 to 20 years
Motor vehicles	Diminishing value	3 to 5 years

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

### h) Intangible assets

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

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

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

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

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

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

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2021

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

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### **i)    Financial instruments**

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

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

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

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

### **j)    Impairment**

#### *Non-derivative financial assets*

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

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

#### *Non-financial assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

### **k)    Issued capital**

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

### **l)    Provisions**

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

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

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2021

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

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### m) Leases

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

#### *As a lessee*

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

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

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

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

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

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

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

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

#### *Short-term leases and leases of low-value assets*

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

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

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## Note 5 Significant accounting judgements, estimates, and assumptions

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

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

### a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

### b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

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## Note 6 Financial risk management

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The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

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

### a) Credit risk

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

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 6 Financial risk management (continued)

### b) Liquidity risk

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

#### Exposure to liquidity risk

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	103,900	47,678	62,645	-
Trade and other payables	46,348	46,348	-	-
	<u>150,248</u>	<u>94,026</u>	<u>62,645</u>	<u>-</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	122,792	64,494	66,650	-
Trade and other payables	78,577	64,033	14,544	-
	<u>201,369</u>	<u>128,527</u>	<u>81,194</u>	<u>-</u>

### c) Market risk

#### Market risk

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

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

#### Price risk

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

#### Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of \$674,884 at 30 June 2021 (2020: \$687,491). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 7 Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company 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 company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

## Note 8 Revenue from contracts with customers

	2021	2020
	\$	\$
- Margin income	771,494	876,752
- Fee income	40,887	45,454
- ATM income	3,188	4,854
- Commission income	80,595	84,179
	<u>896,164</u>	<u>1,011,239</u>

## Note 9 Other revenue

	2021	2020
	\$	\$
- Market development fund income	-	10,000
- Cash flow boost	16,925	28,208
- Gain on disposal of property, plant and equipment	13,825	-
	<u>30,750</u>	<u>38,208</u>

## Note 10 Finance income

	2021	2020
	\$	\$
- Term deposits	<u>4,581</u>	<u>9,477</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Plant and equipment	11,044	14,018
- Motor vehicles	962	1,204
	<u>12,006</u>	<u>15,222</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	20,460	20,460
- Leased motor vehicles	6,623	5,673
	<u>27,083</u>	<u>26,133</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,204	2,200
- Franchise renewal process fee	11,018	11,019
	<u>13,222</u>	<u>13,219</u>
Total depreciation and amortisation expense	<u>52,311</u>	<u>54,574</u>
<b>b) Finance costs</b>		
<i>Finance costs:</i>		
- Recurring borrowing costs paid	1,165	1,195
- Lease interest expense	4,494	6,316
- Unwinding of make-good provision	1,439	1,370
	<u>7,098</u>	<u>8,881</u>

Finance costs are recognised as expenses when incurred using the effective interest rate.

## c) Charitable donations, sponsorship, advertising and promotion

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

	2021 \$	2020 \$
- Direct sponsorship, advertising, and promotion payments	144,513	129,924
- Contribution to the Community Enterprise Foundation™	90,000	150,000
	<u>234,513</u>	<u>279,924</u>

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

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 11 Expenses (continued)

d) Employee benefit expenses	2021 \$	2020 \$
Wages and salaries	338,564	316,173
Non-cash benefits	8,867	9,514
Contributions to defined contribution plans	32,921	29,596
Expenses related to long service leave	2,082	7,045
Other expenses	21,281	20,279
	<u>403,715</u>	<u>382,607</u>

## e) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>7,076</u>	<u>9,045</u>

## Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense</i>		
- Current tax	15,321	38,762
- Movement in deferred tax	254	(22,933)
- Adjustment to deferred tax on AASB 16 retrospective application	-	22,843
- Reduction in company tax rate	1,229	1,861
	<u>16,804</u>	<u>40,533</u>

## b) Prima facie income tax reconciliation

Operating profit before taxation	75,217	168,829
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	19,556	46,428
Tax effect of:		
- Non-deductible expenses	419	-
- Non-assessable income	(4,400)	(7,756)
- Temporary differences	(254)	90
- Movement in deferred tax	254	(22,933)
- Leases initial recognition	-	22,843
- Reduction in company tax rate	1,229	1,861
	<u>16,804</u>	<u>40,533</u>



# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 13 Cash and cash equivalents

a) Cash and cash equivalents	2021 \$	2020 \$
- Cash at bank and on hand	97,891	76,996
- Term deposits	576,993	610,495
	<u>674,884</u>	<u>687,491</u>

## Note 14 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	53,592	61,590
Prepayments	5,082	5,373
Other receivables and accruals	5,673	25,583
	<u>64,347</u>	<u>92,546</u>

## Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Plant and equipment</i>		
At cost	349,726	369,258
Less: accumulated depreciation	(283,557)	(277,584)
	<u>66,169</u>	<u>91,674</u>
<i>Motor vehicles</i>		
At cost	6,000	6,000
Less: accumulated depreciation	(2,152)	(1,190)
	<u>3,848</u>	<u>4,810</u>
Total written down amount	<u>70,017</u>	<u>96,484</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Plant and equipment</i>		
Carrying amount at beginning	91,674	63,086
Additions	5,419	42,510
Disposals	(19,880)	-
Depreciation	(11,044)	(13,922)
	<u>66,169</u>	<u>91,674</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 15 Property, plant and equipment (continued)

### b) Reconciliation of carrying amounts (continued)

	Note	2021 \$	2020 \$
<i>Motor vehicles</i>			
Carrying amount at beginning		4,810	28,801
Lease asset transferred out - at cost	16b)	-	(41,073)
Lease asset transferred out - accumulated depreciation	16b)	-	18,381
Disposals		-	(95)
Depreciation		(962)	(1,204)
		<u>3,848</u>	<u>4,810</u>
Total written down amount		<u>70,017</u>	<u>96,484</u>

Following the adoption of AASB 16 in the previous financial year, the company now groups its leased assets previously recognised in 'property, plant and equipment' in 'right-of-use assets'.

### c) Changes in estimates

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

## Note 16 Right-of-use assets

### a) Carrying amounts

	2021 \$	2020 \$
<i>Leased land and buildings</i>		
At cost	306,905	306,905
Less: accumulated depreciation	(274,509)	(254,049)
	<u>32,396</u>	<u>52,856</u>
<i>Leased motor vehicles</i>		
At cost	49,790	41,073
Less: accumulated depreciation	(3,581)	(24,054)
	<u>46,209</u>	<u>17,019</u>
Total written down amount	<u>78,605</u>	<u>69,875</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 16 Right-of-use assets (continued)

<b>b) Reconciliation of carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Leased land and buildings</i>		
Carrying amount at beginning	52,856	-
Initial recognition on transition	-	347,825
Accumulated depreciation on adoption	-	(274,509)
Depreciation	(20,460)	(20,460)
	<u>32,396</u>	<u>52,856</u>
<i>Leased motor vehicles</i>		
Carrying amount at beginning	17,019	-
Lease asset transferred in - at cost	-	41,073
Lease asset transferred in - accumulated depreciation	-	(18,381)
Additional right-of-use assets recognised	49,790	-
Disposals	(13,977)	-
Depreciation	(6,623)	(5,673)
	<u>46,209</u>	<u>17,019</u>
Total written down amount	<u>78,605</u>	<u>69,875</u>

## Note 17 Intangible assets

<b>a) Carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise fee</i>		
At cost	32,555	32,555
Less: accumulated amortisation	(28,247)	(26,043)
	<u>4,308</u>	<u>6,512</u>
<i>Franchise renewal process fee</i>		
At cost	112,777	112,777
Less: accumulated amortisation	(91,253)	(80,235)
	<u>21,524</u>	<u>32,542</u>
Total written down amount	<u>25,832</u>	<u>39,054</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 17 Intangible assets (continued)

<b>b) Reconciliation of carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise fee</i>		
Carrying amount at beginning	6,512	8,712
Amortisation	(2,204)	(2,200)
	<u>4,308</u>	<u>6,512</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	32,542	43,561
Amortisation	(11,018)	(11,019)
	<u>21,524</u>	<u>32,542</u>
Total written down amount	<u>25,832</u>	<u>39,054</u>

## c) Changes in estimates

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

## Note 18 Tax assets and liabilities

<b>a) Current tax</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Income tax refundable	<u>(12,161)</u>	<u>(4,113)</u>
<b>b) Deferred tax</b>		
<i>Deferred tax assets</i>		
- expense accruals	1,046	885
- employee provisions	15,119	13,106
- make-good provision	6,887	6,789
- lease liability	15,931	25,835
Total deferred tax assets	<u>38,983</u>	<u>46,615</u>
<i>Deferred tax liabilities</i>		
- income accruals	151	655
- right-of-use assets	8,099	13,743
Total deferred tax liabilities	<u>8,250</u>	<u>14,398</u>
Net deferred tax assets (liabilities)	<u>30,733</u>	<u>32,217</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>1,484</u>	<u>(1,768)</u>
Movement in deferred tax charged to Statement of Changes in Equity	<u>-</u>	<u>22,843</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 19 Trade creditors and other payables

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

a) Current liabilities	2021 \$	2020 \$
Trade creditors	5,554	26,814
Other creditors and accruals	40,794	37,219
	<u>46,348</u>	<u>64,033</u>
b) Non-current liabilities		
Other creditors and accruals	-	14,544

## Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%.

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

The company's lease portfolio includes:

- Balnarring Branch      The lease agreement commenced in February 2008. A 5 year renewal option was exercised in February 2018. The company has no renewal options available in the current lease agreement. As such, the lease term end date used in the calculation of the lease liability is January 2023.
- Motor vehicle      The lease agreement is a non-cancellable term of four years which commenced in March 2021. The lease includes a balloon payment at which time the registered security over the motor vehicles is removed.
- Motor vehicle      The lease agreement is a non-cancellable term of four years which commenced in June 2017. The lease concluded in the period and the motor vehicle was sold.

a) Current lease liabilities	2021 \$	2020 \$
Property lease liabilities	41,742	40,136
Unexpired interest	(2,485)	(4,494)
	<u>39,257</u>	<u>35,642</u>
Motor vehicle lease liabilities	5,936	24,358
Unexpired interest	(1,136)	(931)
	<u>4,800</u>	<u>23,427</u>
	<u>44,057</u>	<u>59,069</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 20 Lease liabilities (continued)

<b>b) Non-current lease liabilities</b>	<b>2021 \$</b>	<b>2020 \$</b>
Property lease liabilities	24,908	66,650
Unexpired interest	(442)	(2,927)
	<u>24,466</u>	<u>63,723</u>
Motor Vehicle lease liabilities	37,737	-
Unexpired interest	(2,360)	-
	<u>35,377</u>	<u>-</u>
	<u>59,843</u>	<u>63,723</u>
<b>c) Reconciliation of lease liabilities</b>		
Balance at the beginning	122,792	29,174
Initial recognition on AASB 16 transition	-	131,642
Additional lease liabilities recognised	41,850	-
Lease interest expense	5,732	6,316
Lease payments - total cash outflow	(66,474)	(44,340)
	<u>103,900</u>	<u>122,792</u>
<b>d) Maturity analysis</b>		
- Not later than 12 months	47,678	64,494
- Between 12 months and 5 years	62,645	66,650
- Greater than 5 years	-	-
Total undiscounted lease payments	<u>110,323</u>	<u>131,144</u>
Unexpired interest	(6,423)	(8,352)
Present value of lease liabilities	<u>103,900</u>	<u>122,792</u>

## Note 21 Provisions

<b>a) Non-current liabilities</b>	<b>2021 \$</b>	<b>2020 \$</b>
Make-good on leased premises	<u>27,549</u>	<u>26,110</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at \$30,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 January 2023 at which time it is expected the face-value costs to restore the premises will fall due.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 22 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	24,913	17,052
Provision for long service leave	21,368	19,070
	<u>46,281</u>	<u>36,122</u>
b) Non-current liabilities		
Provision for long service leave	<u>14,194</u>	<u>14,285</u>

### c) Key judgement and assumptions

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

## Note 23 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	840,000	840,000	840,000	840,000
Less: equity raising costs	-	(24,904)	-	(24,904)
	<u>840,000</u>	<u>815,096</u>	<u>840,000</u>	<u>815,096</u>

### b) Rights attached to issued capital

#### Ordinary shares

#### Voting rights

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

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

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

#### Dividends

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

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## Note 23 Issued capital (continued)

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

#### Transfer

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

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

#### Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 243. As at the date of this report, the company had 245 shareholders (2020: 257 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.

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## Note 24 Accumulated losses

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	Note	2021 \$	2020 \$
Balance at beginning of reporting period		(71,202)	(72,075)
Adjustment for transition to AASB 16		-	(60,223)
Net profit after tax from ordinary activities		58,413	128,296
Dividends provided for or paid	29a)	(84,000)	(67,200)
Balance at end of reporting period		<u>(96,789)</u>	<u>(71,202)</u>



# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 25 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	58,413	128,296
Adjustments for:		
- Depreciation	39,089	41,355
- Amortisation	13,222	13,219
- (Profit)/loss on disposal of non-current assets	(13,825)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	28,199	(10,187)
- (Increase)/decrease in other assets	(6,565)	(2,344)
- Increase/(decrease) in trade and other payables	(2,413)	(8,820)
- Increase/(decrease) in employee benefits	10,068	11,632
- Increase/(decrease) in provisions	1,439	1,370
- Increase/(decrease) in tax liabilities	-	(12,967)
Net cash flows provided by operating activities	<u>127,627</u>	<u>161,554</u>

## Note 26 Financial instruments

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

	Note	2021 \$	2020 \$
<b>Financial assets</b>			
Cash and cash equivalents	13	97,891	76,996
Term deposits	13	576,993	610,495
Trade and other receivables	14	59,265	87,173
		<u>734,149</u>	<u>774,664</u>
<b>Financial liabilities</b>			
Trade and other payables	19	46,348	78,577
Lease Liabilities	20	103,900	122,792
		<u>150,248</u>	<u>201,369</u>

## Note 27 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- General advisory services	1,930	2,710
- Share registry services	3,356	3,637
Total auditor's remuneration	<u>10,286</u>	<u>11,147</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

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## Note 28 Related parties

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### a) Details of key management personnel

The directors of the company during the financial year were:

Heather Goddard  
Christopher John Gurney  
Mark John Laughton  
Ronald Graham Kempster  
Stuart Whiteley  
Pamela Elizabeth Ford  
Kym Anthony Bridgford  
Michael Hartley Treadwell  
Sarah Jane Moran  
Mark Andrew Holland

### b) Key management personnel compensation

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

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

### c) Related party transactions

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

#### *Community bank Directors' Privileges Package*

The board has adopted the Community bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$320 for the year ended 30 June 2021 (2020: \$500).

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## Note 29 Dividends provided for or paid

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### a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	10.00	84,000	8.00	67,200

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## Note 29 Dividends provided for or paid (continued)

b) Franking account balance	2021 \$	2020 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	118,243	87,892
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	41,773	51,377
- franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(18,404)	4,464
- Franking debits from the payment of franked distributions	(29,514)	(25,490)
Franking account balance at the end of the financial year	112,098	118,243
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(12,161)	(4,113)
Franking credits available for future reporting periods	99,937	114,130
The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.		

## Note 30 Earnings per share

### a) Basic and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	58,413	128,296
	Number	Number
Weighted-average number of ordinary shares	840,000	840,000
	Cents	Cents
Basic and diluted earnings per share	6.95	15.27

## Note 31 Commitments

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

## Note 32 Contingencies

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

## Note 33 Subsequent events

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 10 cents per share, to be paid on 30 August 2021. The financial impact of the dividend, amounting to \$84,000, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

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

# Director's declaration

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In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



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Heather Goddard, Chair

Dated this 31st day of August 2021

# Independent audit report

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61 Bull Street  
Bendigo VIC 3550  
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03 5443 0344

## Independent auditor's report to the Directors of Balnarring & District Community Services Limited

### Report on the Audit of the Financial Report

#### Opinion

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

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

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

- i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

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

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

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



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# Independent audit report (continued)



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## Other Information

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

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

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's responsibilities for the Audit of the Financial Report

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

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# Independent audit report (continued)



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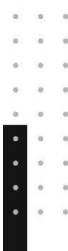
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 31 August 2021

**Joshua Griffin**  
Lead Auditor



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