

# Annual Report 2022

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 2022

It is with much pleasure that I present the 14th Annual Report of Balnarring & District Community Services Limited.

## **Our new branch**

The highlight of 2022 was undoubtedly the opening of our wonderful new, community-focused branch in Balnarring Village on February 1. Now situated in the heart of the village, this innovative space allows customers and our community better access to information, expert advice, services and products.

With a strong commitment to feeding into local prosperity, the branch ties into our bank's broader strategy to reshape our business for the future so it can better serve the needs of our customers and our wider community, whilst at the same time supporting local businesses and community groups.

One of the most striking features of the new branch is a vibrant mural, which journeys through local environments, created by Balnarring artist Jane Reiseger, in collaboration with Shoreham-based graphic designer Bek Thompson. We were delighted to work with local artists on this project.

Customers, visitors and staff alike are loving the branch and the joyful atmosphere it creates and we see the mural as a gift to our community - connecting us all with the places we cherish. The branch is a very real demonstration of our determination to continue to provide a vital service to our communities as other bank branches disappear around us.

## **Our company**

It is fair to say that the ongoing effects of COVID-19 and a range of economic pressures continued to test our enterprise during 2021/22, as we experienced poorer margins and therefore lower revenue, despite continued growth in loans, deposits and customer numbers.

We were not alone, I am certain, in hoping that coming out of COVID would be a little less financially challenging, but that was not to be as we continued to operate in an unprecedented economic environment. As you will see in this Annual Report, our profit after tax is down due to very poor margins on deposits, but staff and directors continue to work together to ensure that we are operating to maximise opportunities for our business and this strategic approach will be a significant focus during 2022/23.

Balnarring & District Community Services remains sound and well-governed and we continue to work with our strong and respected partner Bendigo & Adelaide Bank, Australia's most trusted bank, as together we plan for sustainable growth, capital generation, investing in capability and telling our story.

I continue to be privileged to be Chair of the Board of Balnarring & District Community Services Limited and to work with such committed, conscientious and community-minded fellow Directors. Shareholders can be assured that this Board continues to meet high standards of corporate governance, performance and compliance.

In October 2021 we welcomed Susan Beanland, who brings extensive management skills in legal and commercial processes in a banking environment, to the Board. In February 2022 welcomed back Andrew Thomas, a former Director on our Board, with his significant experience in Quality Assurance management in technical training. As with our other Directors, both are actively engaged with their local communities.

We continue to raise eyebrows at events when mentioning that all Directors are volunteers, despite the level of skill and experience they bring to their roles, ensuring that maximum funds are available to return to our communities.

As our many groups and associations return to their full range of offerings to members and the broader community, we are again forcefully reminded of the role our Community Bank continues to play in the building of capacity and resilience in our community partners as we support their important work.

## **Our community investments**

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 increasing number of customers is making a real difference to the communities in which they live and as we see an improvement in margin trends, we will be able to do even more.

We have grown to be one of the biggest sources of community funding in our district and support programs that are changing lives, protecting our environment and providing activities and facilities in the arts through to sports.

Staff and Directors thank the many community groups which so effectively continue to offer so many residents wide-ranging opportunities for social connection and enjoyment.

# Chair's report (continued)

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In mid-2021 and with much pride, we partnered with Western Port Community Support Centre, through the Mornington Peninsula Foundation, with a contribution of \$30,000 towards their Housing and Homelessness Program. It is our hope that this will be an ongoing partnership, as the work of staff and volunteers at the Centre in assisting so many people and families across our district is absolutely outstanding.

Such investments show the deep connections we have with our communities, are a very real reminder of the good that banking locally can do and amplify our point of difference – sharing our profits with our communities.

During 2021/22 we invested a total of \$103,411.19 in our community as sponsorships, donations and funds invested for future community projects, along with dividend payments. This sees a total return to community since we opened in 2008 of \$2,141,608.87 and what a difference this investment must have made to the hopes and dreams of our communities.

## **Our shareholders**

Support from shareholders remains essential as we continue to build the business by encouraging a greater number of local residents to make us their bank of choice, enabling even greater investment in our communities.

You are champions of the Community Bank model, as without your support our company would not exist. We were, therefore, very pleased to pay our tenth dividend of 10.0 cents per share fully franked in August 2021, a total payment to shareholders of \$84,000. You can proudly share the stories of the very real benefits your Community Bank brings to your communities.

The Board of Directors joins me in encouraging those shareholders who do not yet bank with Community Bank Balnarring & District to consider doing so. To those of you who are already one of us, thank you and please share this with family and friends, encouraging them to make the switch.

## **Our customers and staff**

Supporting our customers, both retail and business, continues to be front of mind for our branch staff and our company remains very proud of our Love Local program, which is designed to encourage locals to shop in their own communities, rather than in other areas. Our company won the 2021 Regional Community Engagement Award for this innovative program, a proud moment indeed.

Our wonderful staff team of Greg, Delwyn, Glenys, Joanne and Kaylah remain vital to the success of our Community Bank, as without them our customers would not enjoy the caring and knowledgeable assistance always on offer. As essential workers, they have worked under challenging circumstances at times over this financial year and we thank them for their resilience and commitment to our customers.

Milly took up a job opportunity at another Community Bank towards the end of June and we thank her for her contribution to our business, as we welcome Kaylah to the branch.

Thank you to our Board Administration Officer and community engagement lead, Melinda Symes and to our Company Secretary Ken Brown, for their ongoing and outstanding professional support and work across all aspects of the business.

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

## **Our future**

The continued support of our shareholders, customers and community members is essential to our ongoing success, so thank you to those who know that who they bank with does matter. They are aware of and value the fact that their banking helps to create, support and sustain positive change in their local community.

Our Community Bank is committed to remaining a strong partner which supports and invests in our local communities, because that's the power and purpose of community banking.

The world has changed in so many ways over the past couple of years, but let us not settle for a return to the 'old' normal, when together we can aim higher and create more caring, connected, sustainable and enterprising communities. We invite you to be part of this aspiration and feel good about who you bank with as we all strive to make a difference.



**Heather Goddard**  
Chair

# Branch Manager's report

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## For year ending 30 June 2022

It is with great pleasure that I present this report, recognising our achievements for the financial year ending 30 June 2022.

During the 2021/22 financial year, while we were still seeing the effects of COVID -19, the branch and Board did a fantastic job of ensuring that we were able to meet the requirements of our customers in the best ways possible. We adapted approaches to staffing to keep our branch open where ever possible, which involved varying opening hours and having staff work additional hours.

The reward that we saw for our efforts was that as life became closer to normal during the year, we were able to grow our business, despite this occurring during a period of decreasing interest rates, which saw the business paid reduced margins on deposits. A direct result of this was a reduced profit after tax for this financial year.

Over the year, the branch had an increase in both lending and deposit footings. At the end of the year, the business had total footings of \$169.91 million, an increase for the year of \$18.26 million. This was made up of an increase in lending footings of \$8.66 million and an increase in deposit footings of \$9.61 million.

This growth in footings was not possible without existing customers doing more of their banking with us and members of our community choosing to become new customers, which meant that over the year we had a 6.7% increase in total customer numbers.

### **Staff**

Our staff members were placed under ongoing pressure during the year, with unplanned absences, which saw everyone step up to ensure that that branch remained open, even if this involved occasionally closing at lunch time or some early closures.

Towards the end of the year, Milly May resigned to take up a position with another Community Bank branch. I would like to thank Milly for her efforts while at our branch and the excellent contribution she made over the time that she was with us.

We were then fortunate to have Kaylah Jones join our team in a full-time role and she has adapted very quickly to the business and is providing to be an excellent addition to our branch team.

I would also like to thank our other staff members, Delwyn Rayner, Glenys Wandmaker and Jo Terry, for their significant efforts to make sure that each day we make our customers' experiences with us enjoyable and successful. All staff members have taken on extra responsibilities throughout the year to make this happen.

### **Community**

With the increase in our footings, we have been able to sustain income levels that have allowed us to maintain our level of community funding and over the year we invested \$213,604.00 into our community. A highlight for the year was that after operating for 14 years, we passed \$2.14 million in community contributions.

Highlights of our investment over the year were:

- \$30,000.00 partnership with Western Port Community Support Centre in their Housing and Homelessness Program
- \$1,500.00 x 4 three-year scholarships for senior students at Western Port Secondary College
- \$3,000.00 to Crib Point RSL towards the food care packs delivered to disadvantaged local residents during COVID-19

We look forward to continuing our close association with our community groups in the future and to working with them to make our communities even better places in which to live.

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## **Board**

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 thank each director for their efforts.

Our board continues to be the envy of other Community Bank companies for the diligence with which they undertake their director roles.

Their dedication to the company was no more evident than the decision they made to proceed with relocating our premises and the amount of work that they did behind the scenes to provide us with our fantastic new branch.

By making the move, we have not only provided staff and customers with a wonderful branch in which to conduct their banking business, but also with what I see as a strong statement that while bank branch closures take place around us, we were prepared to commit to opening a vibrant new branch to serve our community.

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 our business and are able to create an even greater impact within our communities. I wish everyone a successful year ahead.



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

# Dividend payment history

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Dividend to shareholders			
Financial Year	Amount Per Share	Franking Level*	Date Paid
2020/2021	\$0.10	Franked	30/08/2021
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 2022

1st Balnarring Scouts	Friends of Flinders Coastline
Radio 3RPP	HALT mental health awareness
Balnarring ANZAC Organisation	Hastings Pony Club
Balnarring Bowls & Social Club	Lions Club of Balnarring
Balnarring Bridge Magazine	Lord Somers Camp
Balnarring Cricket Club	Merricks Coolart Catchment Landcare Group
Balnarring & District Netball Club	Merricks Residents Association
Balnarring Fire Brigade	Merricks Station Reserve
Balnarring Historical Society	Merricks Yacht Club
Balnarring Ladies Probus	Mornington Peninsula Beekeepers Association
Balnarring Musos	Mornington Peninsula Cricket Association
Balnarring Community Child Care	Mornington Peninsula Foundation/Western Port Community Support Centre
Balnarring Pony Club	Mornington Peninsula Koala Conservation
Balnarring Pre-School	Mornington Peninsula Shire Youth Leadership Programs
Balnarring Primary School	Mornington Peninsula Masters Swimmers Club
Balnarring Storm Basketball Club	Peninsula Summer Music Festival
Balnarring Tennis Club	Point Leo Foreshore Committee
Balnarring Junior Football Club	Point Leo Surf Life Saving Club
Balnarring Village Common	Presentation Family Centre (Saltbush)
Bittern Fire Brigade	Probus Club of Balnarring
Boomerang Bags Balnarring	Red Hill Agricultural & Horticultural Society
Bundjils Nest Project	Red Hill Riders Mountain Bike Club
Carriage Driving for Disabled, Mornington	Shoreham Fire Brigade
Crib Point Football Netball Club	Shoreham Residents Association
Community Defib Program	Somers Art Fair
Disabled Surfers Association	Somers Chamber Music Society
Dromana Secondary College Scholarships	Somers Fire Brigade
Embroiderers Guild of Victoria, Flinders Group	Somers Girl Guides
Escabags	Somers Neighbourhood Watch
Flinders Community Association	Somers Paper Nautilus
Flinders District Historical Society	Somers Primary School
Flinders Rural Fire Brigade	Somers Residents Association
Flinders Art Show	Somers School Camp
Flinders Bowls Club	Somers Tennis Club
Flinders Cricket Club	Somers Yacht Club
Flinders Golf Club	St Johns Flinders, Recital Series & Fete
Flinders Lions Club	St Marks Church organ relocation
Flinders Pre-School	Westernport Model Aircraft Club
Flinders Singers	Western Port Secondary College Scholarships
Flinders Yacht Club	Westernport Yacht Club
Frankston Peninsula Carers Inc	Womindjeka Festival Balnarring
Friends of Bill Carroll Reserve	
Friends of Coolart	

# Message from Bendigo and Adelaide Bank

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For year ending 30 June 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,



**Justine Minne**  
**Bendigo and Adelaide Bank**

# Directors Report

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The directors present their financial statements of the company for the financial year ended 30 June 2022

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2022.

## Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Heather Goddard
Title:	Chair
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 Balbierooroo Wetlands; member of the Merricks-Coolart Catchment Landcare Group.
Special responsibilities:	Chair, Governance & Shareholder Relations, Human Resources Committees, Marketing & Business Development Committee.
Name:	Christopher John Gurney
Title:	Non-executive director
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.
Name:	Mark John Laughton
Title:	Non-executive director
Experience and expertise:	Lawyer - LLB, Graduate Diploma in legal practice currently practicing in all aspects of law. Vice-President Crib Point Football Netball Club.
Special responsibilities:	Deputy Chair 2021- July 2022. Member/Coordinator of Governance Committee, HR Committee and Property Coordinator.
Name:	Ronald Graham Kempster
Title:	Non-executive director
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:	Member of Community Investment Committee & member of Finance Committee.

## Director's report (continued)

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Name:	Stuart Whiteley
Title:	Non-executive director
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 tranquillity 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.
Name:	Pamela Elizabeth Ford
Title:	Non-executive director
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:	Former HR Convenor.
Name:	Kym Anthony Bridgford
Title:	Non-executive director
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.
Name:	Michael Hartley Treadwell
Title:	Non-executive director
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:	Convener - Community Investment Committee (Marketing and Sponsorship Committee)
Name:	Sarah Jane Moran
Title:	Non-executive director
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 as a Personal Assistant.
Special responsibilities:	Marketing & Sponsorship Committee

# Director's report (continued)

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Name: Susan Anne Beanland  
Title: Non-executive director (Appointed 26 October 2021)  
Experience and expertise: Bachelor of Arts Monash University. Retired in 2019 after a long career at ANZ as Legal Operations Manager. Prior to ANZ held various roles at Rio Tinto (formerly CRA) spanning 18 years including information management and IT. A long history of volunteering including the homeless, refugees, child care and schools. Currently secretary of an owners corporation and an active volunteer at the Red Hill Op Shop.  
Special responsibilities: Member of the Community Investment Committee

Name: Andrew Scott Thomas  
Title: Non-executive director (Appointed 2 March 2022)  
Experience and expertise: Electronics Technician RAN, Electronics Instructor, Quality Assurance Manager, Director, Treasurer of Dromana Secondary College  
Special responsibilities: Nil.

## Company secretary

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

- Melinda Symes was appointed to the position of company secretary on 25 November 2015.
- Kenneth Brown was appointed to the position of company secretary on 26 October 2021.

## 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 this activity during the financial year.

## Review of operations

The profit for the company after providing for income tax amounted to \$73,985 (30 June 2021: \$58,413).

Operations have continued to perform in line with expectations.

## Dividends

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

	2022 \$
Fully franked dividend of 10 cents per share	<u>84,000</u>

## Significant changes in the state of affairs

The company moved to a new branch in January 2022.

There were no other significant changes in the state of affairs of the company during the financial year.

## Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## Director's report (continued)

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

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		Governance & Shareholder Relations		Finance & Budget	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Heather Goddard	11	10	2	2	-	-
Mark Laughton	11	8	2	2	-	-
Chris Gurney *	11	8	-	-	2	2
Ron Kempster	11	11	-	-	2	2
Stuart Whiteley	11	7	2	2	-	-
Pam Ford	11	9	-	-	-	-
Kym Bridgford **	11	9	2	1	-	-
Michael Treadwell	11	11	-	-	-	-
Sarah Moran	11	11	-	-	-	-
Andrew Thomas	4	3	-	-	-	-
Susan Beanland	7	6	-	-	-	-

	Human Resources		Marketing & Business Development		Community Investment	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Heather Goddard	4	4	3	2	11	10
Mark Laughton	4	4	-	-	-	-
Chris Gurney *	-	-	4	2	-	-
Ron Kempster	-	-	2	1	11	11
Stuart Whiteley	-	-	4	2	-	-
Pam Ford	4	4	-	-	-	-
Kym Bridgford **	-	-	-	-	11	9
Michael Treadwell	-	-	-	-	11	11
Sarah Moran	-	-	3	2	9	7
Andrew Thomas	-	-	-	-	3	2
Susan Beanland	-	-	-	-	8	7

\* Leave of absence from 12 July - 28 August 2021 & 21 February - 12 March 2022

\*\* Leave of absence from 6 July - 20 August 2021

### 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.

# Director's report (continued)

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## Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year \$	Changes \$	Balance at the 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	-	-	-
Andrew Scott Thomas	-	4,600	4,600

## Indemnity 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.

## 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*.

## Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## 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 26 to the accounts.

The Board 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
- 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**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



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Heather Goddard  
Chair

9 September 2022



# 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 2022, 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: 9 September 2022

**Joshua Griffin**  
Lead Auditor



afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 785 337

# Financial statements

## Statement of Profit and Loss and Other Comprehensive Income for year ending 30 June 2022

	Note	2022 \$	2021 \$
Revenue from contracts with customers	6	883,989	896,164
Other revenue	7	44,028	30,750
Finance revenue		287	4,581
Employee benefits expense	8	(420,622)	(403,715)
Advertising and marketing costs		(13,332)	(33,261)
Occupancy and associated costs		(35,096)	(43,075)
System costs		(27,608)	(19,939)
Depreciation and amortisation expense	8	(65,132)	(52,311)
Finance costs	8	(8,712)	(7,098)
General administration expenses		(129,067)	(95,627)
<b>Profit before community contributions and income tax expense</b>		<b>228,735</b>	<b>276,469</b>
Charitable donations and sponsorships expense		(129,604)	(201,252)
<b>Profit before income tax expense</b>		<b>99,131</b>	<b>75,217</b>
Income tax expense	9	(25,146)	(16,804)
<b>Profit after income tax expense for the year</b>	20	<b>73,985</b>	<b>58,413</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>73,985</b>	<b>58,413</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	28	8.81	6.95
Diluted earnings per share	28	8.81	6.95

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the*

# Financial Statements (continued)

## Statement of Financial Position for year ending 30 June 2022

	Note	2022 \$	2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	533,288	674,884
Trade and other receivables	11	87,607	64,347
Current tax assets	9	25,355	12,161
Total current assets		<u>646,250</u>	<u>751,392</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	172,456	70,017
Right-of-use assets	13	383,898	78,605
Intangibles	14	12,609	25,832
Deferred tax assets	9	-	30,733
Total non-current assets		<u>568,963</u>	<u>205,187</u>
<b>Total assets</b>		<u>1,215,213</u>	<u>956,579</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	41,903	46,348
Lease liabilities	16	29,163	44,057
Employee benefits	17	51,889	46,281
Total current liabilities		<u>122,955</u>	<u>136,686</u>
<b>Non-current liabilities</b>			
Lease liabilities	16	337,036	59,843
Deferred tax liabilities	9	8,720	-
Employee benefits	17	16,831	14,194
Provisions	18	21,379	27,549
Total non-current liabilities		<u>383,966</u>	<u>101,586</u>
<b>Total liabilities</b>		<u>506,921</u>	<u>238,272</u>
<b>Net assets</b>		<u>708,292</u>	<u>718,307</u>
<b>Equity</b>			
Issued capital	19	815,096	815,096
Accumulated losses	20	(106,804)	(96,789)
<b>Total equity</b>		<u>708,292</u>	<u>718,307</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

# Financial Statements (continued)

## Statement of Changes in Equity for year ending 30 June 2022

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2020</b>		815,096	(71,202)	743,894
Profit after income tax expense		-	58,413	58,413
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	58,413	58,413
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	22	-	(84,000)	(84,000)
<b>Balance at 30 June 2021</b>		<u>815,096</u>	<u>(96,789)</u>	<u>718,307</u>
 <b>Balance at 1 July 2021</b>		 815,096	 (96,789)	 718,307
Profit after income tax expense		-	73,985	73,985
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	73,985	73,985
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	22	-	(84,000)	(84,000)
<b>Balance at 30 June 2022</b>		<u>815,096</u>	<u>(106,804)</u>	<u>708,292</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

# Financial Statements (continued)

## Statement of Cash Flows for year ending 30 June 2022

	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		943,682	996,161
Payments to suppliers and employees (inclusive of GST)		(824,372)	(846,005)
		119,310	150,156
Interest received		596	6,572
Income taxes refunded/(paid)		1,113	(23,369)
Net cash provided by operating activities	27	121,019	133,359
<b>Cash flows from investing activities</b>			
Payments for right-of-use assets		-	(47,790)
Payments for property, plant and equipment		(120,893)	(5,421)
Payments for intangibles		(13,222)	(13,222)
Proceeds from sale of right-of-use assets		-	29,091
Net cash used in investing activities		(134,115)	(37,342)
<b>Cash flows from financing activities</b>			
Interest and other finance costs paid		-	41,850
Dividends paid	22	(84,000)	(84,000)
Repayment of lease liabilities	16	(44,500)	(66,474)
Net cash used in financing activities		(128,500)	(108,624)
Net decrease in cash and cash equivalents		(141,596)	(12,607)
Cash and cash equivalents at the beginning of the financial year		674,884	687,491
Cash and cash equivalents at the end of the financial year	10	533,288	674,884

*The above statement of cash flows should be read in conjunction with the accompanying notes*

# Notes to the Financial Statements

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For year ending 30 June 2022

## Note 1. Reporting entity

The financial statements cover Balnarring & District Community Services Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is company's functional and presentation currency.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

### Registered office

Balnarring Village, 3050 Frankston-Flinders Road,  
Balnarring VIC 3926

### Principal place of business

Shop 2, Balnarring Village, 3000 Frankston-Flinders Road,  
Balnarring VIC 3926

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 September 2022. The directors have the power to amend and reissue the financial statements.

## Note 2. Basis of preparation and statement of compliance

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

## Note 3. Significant accounting policies

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

### Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2021, 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.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### 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.

# Notes to the Financial Statements (continued)

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For year ending 30 June 2022

## **Note 3. Significant accounting policies (continued)**

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 2022.

### *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 any impairment loss.

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.

### **Goods and Services Tax (GST)**

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.

## **Note 4. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

### *Estimation of useful lives of assets*

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or non-strategic assets that have been abandoned or sold will be written off or written down.

# Notes to the Financial Statements (continued)

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For year ending 30 June 2022

## **Note 4. Critical accounting judgements, estimates and assumptions (continued)**

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### *Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

### *Employee benefits provision*

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

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.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

### *Lease make good provision*

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

## **Note 5. Economic dependency**

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.



# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 5. Economic dependency (continued)

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.

## Note 6. Revenue from contracts with customers

	2022 \$	2021 \$
Margin income	755,820	771,494
Fee income	40,439	40,887
Commission income	87,730	83,783
Revenue from contracts with customers	883,989	896,164

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 year ending 30 June 2022

## Note 6. Revenue from contracts with customers (continued)

<u>Revenue stream</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 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 which are 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
<b>plus:</b>	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
<b>minus:</b>	any costs of funds i.e. interest applied by Bendigo Bank 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.

### *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.

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 7. Other revenue

	2022 \$	2021 \$
Net gain on disposal of right-of-use asset	44,028	13,825
Cash flow boost	-	16,925
Other revenue	<u>44,028</u>	<u>30,750</u>

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 stream

Gain on sale of property, plant and equipment

### Revenue recognition policy

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.

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 GST.

### Net gain on disposal of right-of-use asset

During the period the company moved branch premises and as such the previous branches lease expired in January 2022. As a result the previous branch premises lease liability, make-good provision and right-of-use asset were required to be remeasured. This resulted in a gain of \$44042.

### 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)

For year ending 30 June 2022

## Note 8. Expenses

### Depreciation and amortisation expense

	2022 \$	2021 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	2,109	2,122
Plant and equipment	12,483	8,922
Motor vehicles	259	962
	<u>14,851</u>	<u>12,006</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	25,415	20,460
Leased motor vehicles	11,552	6,623
	<u>36,967</u>	<u>27,083</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	2,204	2,204
Franchise renewal process fee	11,019	11,018
Borrowing Costs Amortisation	91	-
	<u>13,314</u>	<u>13,222</u>
	<u>65,132</u>	<u>52,311</u>

### Finance costs

	2022 \$	2021 \$
Recurring borrowing costs paid	-	1,165
Lease interest expense	7,649	4,494
Unwinding of make-good provision	1,063	1,439
	<u>8,712</u>	<u>7,098</u>

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

### Employee benefits expense

	2022 \$	2021 \$
Wages and salaries	352,108	338,564
Non-cash benefits	10,751	8,867
Superannuation contributions	37,794	32,921
Expenses related to long service leave	4,959	2,082
Other expenses	15,010	21,281
	<u>420,622</u>	<u>403,715</u>

### Leases recognition exemption

	2022 \$	2021 \$
Expenses relating to low-value leases	<u>15,167</u>	<u>7,076</u>

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.

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 8. Expenses (continued)

### Charitable donations, sponsorships and grants

	2022 \$	2021 \$
Direct donation, sponsorship and grant payments	129,604	144,513
Contribution to the Community Enterprise Foundation™	26,316	90,000
	<u>155,920</u>	<u>234,513</u>

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, sponsorships and grants).

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.

## Note 9. Income tax

	2022 \$	2021 \$
<i>Income tax expense</i>		
Current tax	-	15,321
Movement in deferred tax	39,453	254
Reduction in company tax rate	-	1,229
Future Income tax benefit attributable to losses	(14,307)	-
Aggregate income tax expense	<u>25,146</u>	<u>16,804</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	<u>99,131</u>	<u>75,217</u>
Tax at the statutory tax rate of 25% (2021: 26%)	24,783	19,556
Tax effect of:		
Entertainment expenses	363	-
Non-deductible expenses	-	419
Non-assessable income	-	(4,400)
Reduction in company tax rate	-	1,229
Income tax expense	<u>25,146</u>	<u>16,804</u>

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 9. Income tax (continued)

	2022 \$	2021 \$
<i>Deferred tax attributable to:</i>		
expense accruals	1,018	1,046
employee provisions	17,240	15,119
make-good provision	5,345	6,887
lease liability	82,706	15,931
income accruals	-	(151)
property, plant and equipment	(27,719)	-
right-of-use assets	(87,310)	(8,099)
Deferred tax asset/(liability)	<u>(8,720)</u>	<u>30,733</u>
	2022 \$	2021 \$
Income tax refund due	<u>25,355</u>	<u>12,161</u>

### *Accounting policy for income tax*

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

### *Accounting policy for current 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.

### *Accounting policy for 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 year ending 30 June 2022

## Note 10. Cash and cash equivalents

	2022 \$	2021 \$
Cash at bank and on hand	264,237	97,891
Term deposits	269,051	576,993
	<u>533,288</u>	<u>674,884</u>

### Accounting policy for 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.

## Note 11. Trade and other receivables

	2022 \$	2021 \$
Trade receivables	82,583	53,592
Other receivables and accruals	340	5,070
Accrued income	7	603
Prepayments	4,677	5,082
	<u>5,024</u>	<u>10,755</u>
	<u>87,607</u>	<u>64,347</u>

### Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Note 12. Property, plant and equipment

	2022 \$	2021 \$
Leasehold improvements - at cost	52,863	31,562
Less: Accumulated depreciation	(17,291)	(14,718)
	<u>35,572</u>	<u>16,844</u>
Plant and equipment - at cost	416,334	318,164
Less: Accumulated depreciation	(279,450)	(268,839)
	<u>136,884</u>	<u>49,325</u>
Motor vehicles - at cost	-	6,000
Less: Accumulated depreciation	-	(2,152)
	<u>-</u>	<u>3,848</u>
	<u>172,456</u>	<u>70,017</u>

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 12. Property, plant and equipment (continued)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2020	18,966	72,708	4,810	96,484
Additions	-	5,419	-	5,419
Disposals	-	(19,880)	-	(19,880)
Depreciation	(2,122)	(8,922)	(962)	(12,006)
Balance at 30 June 2021	16,844	49,325	3,848	70,017
Additions	23,410	97,483	-	120,893
Disposals	-	(14)	(3,589)	(3,603)
Depreciation	(2,109)	(12,483)	(259)	(14,851)
Balance at 30 June 2022	<u>38,145</u>	<u>134,311</u>	<u>-</u>	<u>172,456</u>

### Accounting policy for 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.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	2 to 20 years
Leasehold Improvements	10 to 20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### 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.



# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 13. Right-of-use assets

	2022 \$	2021 \$
Land and buildings - right-of-use	364,425	306,905
Less: Accumulated depreciation	(15,184)	(274,509)
	<u>349,241</u>	<u>32,396</u>
Motor vehicles - right-of-use	49,790	49,790
Less: Accumulated depreciation	(15,133)	(3,581)
	<u>34,657</u>	<u>46,209</u>
	<u>383,898</u>	<u>78,605</u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings \$	Motor Vehicle - right-of-use \$	Total \$
Balance at 1 July 2020	52,856	17,019	69,875
Additions	-	49,790	49,790
Disposals	-	(13,977)	(13,977)
Depreciation expense	(20,460)	(6,623)	(27,083)
Balance at 30 June 2021	32,396	46,209	78,605
Remeasurement adjustments	(22,165)	-	(22,165)
Additional right-of-use assets recognised	364,425	-	364,425
Depreciation expense	(25,415)	(11,552)	(36,967)
Balance at 30 June 2022	<u>349,241</u>	<u>34,657</u>	<u>383,898</u>

### Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. 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.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 16 for more information on lease arrangements.

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 14. Intangibles

	2022 \$	2021 \$
Franchise fee	32,555	32,555
Less: Accumulated amortisation	(30,451)	(28,247)
	<u>2,104</u>	<u>4,308</u>
Franchise renewal fee	112,777	112,777
Less: Accumulated amortisation	(102,272)	(91,253)
	<u>10,505</u>	<u>21,524</u>
	<u><u>12,609</u></u>	<u><u>25,832</u></u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Franchise renewal fee \$	Franchise fee \$	Total \$
Balance at 1 July 2020	6,512	32,542	39,054
Amortisation expense	(2,204)	(11,018)	(13,222)
Balance at 30 June 2021	4,308	21,524	25,832
Amortisation expense	(2,204)	(11,019)	(13,223)
Balance at 30 June 2022	<u><u>2,104</u></u>	<u><u>10,505</u></u>	<u><u>12,609</u></u>

### Accounting policy for 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. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	June 2023
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	June 2023

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

### Change 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.

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 15. Trade and other payables

	2022 \$	2021 \$
<i>Current liabilities</i>		
Trade payables	4,429	5,554
Other payables and accruals	37,474	40,794
	<u>41,903</u>	<u>46,348</u>

### Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

## Note 16. Lease liabilities

	2022 \$	2021 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	35,657	41,742
Unexpired interest	(11,440)	(2,485)
Motor vehicle lease liabilities	5,936	5,936
Unexpired interest	(990)	(1,136)
	<u>29,163</u>	<u>44,057</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	358,996	24,908
Unexpired interest	(52,391)	(442)
Motor vehicle lease liabilities	31,801	37,737
Unexpired interest	(1,370)	(2,360)
	<u>337,036</u>	<u>59,843</u>

### Reconciliation of lease liabilities

	2022 \$	2021 \$
Opening balance	103,900	122,792
Additional lease liabilities recognised	339,404	43,088
Remeasurement adjustments	(40,254)	-
Lease interest expense	7,649	4,494
Lease payments - total cash outflow	(44,500)	(66,474)
	<u>366,199</u>	<u>103,900</u>

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 16. Lease liabilities (continued)

### Maturity analysis

	2022 \$	2021 \$
Not later than 12 months	41,593	47,678
Between 12 months and 5 years	184,631	62,645
Greater than 5 years	206,166	-
	<u>432,390</u>	<u>110,323</u>

### Accounting policy for 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.

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 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 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 nil.

The company's lease portfolio includes:

Balnarring branch (Old)	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. The lease was ended 1 year early in January 2022. The discount rate used in calculations is 3.54%.
Balnarring branch (New)	The lease agreement commenced in February 2022 for a 5 year term. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is January 2032. The discount rate used in calculations is 3.54%.
Motor Vehicle	The lease commenced on March 2021 for a term of four years. As such, the lease term end date used in the calculation of the lease liability is March 2025. The discount rate used in calculations is 2.99%.

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 17. Employee benefits

	2022 \$	2021 \$
<i>Current liabilities</i>		
Annual leave	28,199	24,913
Long service leave	23,690	21,368
	<u>51,889</u>	<u>46,281</u>
<i>Non-current liabilities</i>		
Long service leave	<u>16,831</u>	<u>14,194</u>

### Accounting policy for 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 salaries and wages 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.

### Superannuation contributions

Contributions to superannuation plans are expensed in the period in which they are incurred.

### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

### 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.

## Note 18. Provisions

	2022 \$	2021 \$
Lease make good	<u>21,379</u>	<u>27,549</u>

### Lease make good

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 to be \$30,000 for the Balnarring Branch lease, 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 January 2032 at which time it is expected the face-value costs to restore the premises will fall due.

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 18. Provisions (continued)

### *Accounting policy for provisions*

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## Note 19. Issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	840,000	840,000	815,096	815,096

### *Accounting policy for 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.

### *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).

##### 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:

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 19. Issued capital (continued)

- 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 238 shareholders (2021: 245 shareholders).

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

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

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

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

## Note 20. Accumulated losses

	2022 \$	2021 \$
Accumulated losses at the beginning of the financial year	(96,789)	(71,202)
Profit after income tax expense for the year	73,985	58,413
Dividends paid (note 22)	(84,000)	(84,000)
Accumulated losses at the end of the financial year	<u>(106,804)</u>	<u>(96,789)</u>

## Note 21. Capital management

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

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

The distribution limit is the greater of:

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

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

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 21. Capital management (continued)

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

## Note 22. Dividends

### *Dividends provided for and paid during the period*

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2022 \$	2021 \$
Fully franked dividend of 10 cents per share	84,000	84,000

### Franking credits

	2022 \$	2021 \$
Franking account balance at the beginning of the financial year	112,098	118,243
Franking credits (debits) arising from income taxes paid (refunded)	20,208	41,773
Franking account balance at the end of the financial year	(21,322)	(18,404)
Franking debits from the payment of franked dividends	(28,000)	(29,514)
	82,984	112,098

### *Franking transactions that will arise subsequent to the financial year end:*

Balance at the end of the financial year	82,984	112,098
Franking credits (debits) that will arise from payment (refund) of income tax	(25,355)	(12,161)
Franking credits available for future reporting periods	57,629	99,937

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%.

### *Accounting policy for dividends*

Dividends are recognised in the financial year they are declared.

## Note 23. Financial instruments

	2022 \$	2021 \$
<b>Financial assets</b>		
Trade and other receivables	82,930	59,265
Cash and cash equivalents	533,288	674,884
	616,218	734,149
<b>Financial liabilities</b>		
Trade and other payables	41,903	46,348
Lease liabilities	366,199	103,900
	408,102	150,248

### *Accounting policy for 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, borrowings and lease liabilities.



# Notes to the Financial Statements (continued)

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For year ending 30 June 2022

## **Note 23. Financial instruments (continued)**

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.

### **Financial risk management**

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

### **Market risk**

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company has no exposure to any transactions denominated in a currency other than Australian dollars.

### **Price risk**

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

### **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.

The company held cash and cash equivalents of \$533,288 at 30 June 2022 (2021: \$674,884). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

### **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.

### **Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 23. Financial instruments (continued)

### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2022</b>				
<b>Non-derivatives</b>				
Trade and other payables	41,903	-	-	41,903
Lease liabilities	41,593	184,631	206,166	432,390
Total non-derivatives	83,496	184,631	206,166	474,293
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2021</b>				
<b>Non-derivatives</b>				
Trade and other payables	46,348	-	-	46,348
Lease liabilities	47,678	62,645	-	110,323
Total non-derivatives	94,026	62,645	-	156,671

## Note 24. Key management personnel disclosures

The following persons were directors of Balnarring & District Community Services Limited during the financial year:

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

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

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

## Note 25. Related party transactions

The following transactions occurred with related parties:

	2022 \$	2021 \$
The company used the legal services of Mark Laughton (BSA Legal) in relation to gain advice on a lease for a new premises	3,393	-

# Notes to the Financial Statements (continued)

For year ending 30 June 2022

## Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2022 \$	2021 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,200	5,000
<i>Other services</i>		
General advisory services	2,430	1,930
Share registry services	3,626	3,356
	6,056	5,286
	11,256	10,286

## Note 27. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 \$	2021 \$
Profit after income tax expense for the year	73,985	58,413
Adjustments for:		
Depreciation and amortisation	65,041	52,311
(Profit)/loss on disposal of non-current assets	-	(13,825)
Net gain on disposal of non-current assets	(40,425)	-
Lease liabilities interest	7,649	5,732
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(23,260)	28,199
Increase in income tax refund due	(13,194)	-
Decrease in deferred tax assets	30,733	-
Increase in other operating assets	-	(6,565)
Increase/(decrease) in trade and other payables	8,777	(2,413)
Increase in deferred tax liabilities	8,720	-
Increase in employee benefits	8,245	10,068
Increase/(decrease) in other provisions	(5,252)	1,439
Net cash provided by operating activities	121,019	133,359

## Note 28. Earnings per share

	2022 \$	2021 \$
Profit after income tax	73,985	58,413
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	840,000	840,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	840,000	840,000

# Notes to the Financial Statements (continued)

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For year ending 30 June 2022

## **Note 28. Earnings per share (continued)**

	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	8.81	6.95
Diluted earnings per share	8.81	6.95

### *Accounting policy for earnings per share*

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Balnarring & District Community Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

## **Note 29. Commitments**

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

## **Note 30. Contingencies**

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

## **Note 31. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

# Director's declaration

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In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



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Heather Goddard  
Chair

9 September 2022

# Independent audit report

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61 Bull Street  
Bendigo VIC 3550  
afs@afsbendigo.com.au  
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 2022
- 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 2022 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.

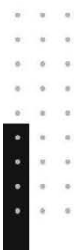
## Responsibilities of the Directors for the Financial Report

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: 9 September 2022

**Joshua Griffin**  
Lead Auditor



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