

Annual Report 2023

Balnarring & District
Community Services Limited

Community Bank
Balnarring & District

ABN 84 127 842 059

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Chair's report

For year ending 30 June 2023

It is with much pleasure that I present the 15th Annual Report of Balnarring & District Community Services Limited. As a shareholder of Balnarring & District Community Services Limited, you should be proud to be an important part of an amazing social enterprise network that to date has invested more than \$300 million in local communities across Australia. We thank you for your ongoing support and were very pleased to pay our eleventh dividend of 7 cents per share, fully franked, in August 2022.

Your Community Bank collaborates across with groups and organisations in Hastings, Bittern and Crib Point, Somers and Balnarring, as well as in Merricks, Point Leo, Shoreham and Flinders, then across to Red Hill South, for social good. Everything we do is focused on our determination to feed into the prosperity of our customers and communities, not off it.

We know that we are now a major source of funding for many of those groups that bank with us and can apply for sponsorships and grants, creating a positive impact for their clubs and their members and making certain that they remain the heart of our communities.

None of this would be possible without the loyalty and support of our customers and we are delighted that their numbers continue to grow as residents realise the value of a local bank committed to providing exceptional banking, which then returns up to 80% of its profits to the people and communities that generate them. No wonder Bendigo and Adelaide Bank and its Community Bank network is Australia's most trusted bank.

A vital part of that trust is the result of the commitment of our wonderful staff team. Over 2022/23, Greg, Delwyn, Glenys, Kaylah and Amelia, who we welcomed aboard in February, have provided professional and knowledgeable assistance to our many retail and business customers. We know that their personalised and caring approach to the needs of all customers is recognised and valued and we continue to be very proud of their work.

Building on this good will and with a continuing commitment to face-to face banking for locals, the Board, working closely with our staff, will focus over 2023/24 on strategies that take advantage of market opportunities to increase lending and deposit activity, in order to further grow the business in a highly competitive market.

Over the first half of the next financial year, we will continue our involvement in an enhanced business planning program supported through data led insight and analysis, led by specialist Bendigo and Adelaide Bank staff. This program will assist us to remain true to the purpose of Community Banking, with outcomes focused on greater shareholder & community return, by ensuring that we continue to be a successful, efficient and sustainable business.

Our strong partnership with Bendigo and Adelaide Bank continues to serve us well and we thank their staff, particularly our Regional Manager Kristy Marshall, for their support, advice and assistance over the past year.

Partnerships are vital to the success of our company and none are more important than those we have formed with the many groups and organisations with which we continue to work to strengthen our communities.

Our investments in these groups and their programs, projects and initiatives range widely across arts and culture, education, health and well-being, environment, community facilities and infrastructure, emergency services support and sport and recreation. Our support not only funds projects and programs, but facilitates broader partnerships for groups by providing seed funding for many valuable and worthwhile initiatives.

We thank the many hundreds of volunteers who work so hard to offer those living in their communities, access to the broadest imaginable range of activities and interests. Our lives are enriched by your efforts.

As detailed in the Treasurer's Report, this financial year your Community Bank dramatically increased our community investments to almost \$662,000 following a significant increase in revenue. What a huge difference this level of investment has made across our communities, whilst demonstrating very forcefully the degree to which the banking choices of our customers make a positive impact in their communities.

During 2022/23 Community Bank Balnarring & District invested a total of \$720,789 in our communities as sponsorships, grants, donations, funds invested for future community projects and dividend payments. This sees a total return to community of \$2,862,789 since we opened in 2008. We remain very proud of the degree to which your Community Bank, because of the support of our customers, has enhanced access to many opportunities for social connection and enjoyment for hundreds of local people, whilst improving facilities and programs and further protecting our environment.

I must also acknowledge the contribution of my Board of Directors to the success of our Community Bank. Like the groups of hard-working and passionate volunteers with which we work, all Directors of Balnarring & District Community Services Limited volunteer their time and expertise to ensure the success of our company, across all parameters and I thank them for their commitment.

Chair's report (continued)

In February 2023 we welcomed Michele Sabto, who brings a wide range of skills and expertise across publishing, agriculture, the environment and law, to our Board. As with our other Directors, she is actively involved across the community.

In April of this year, we most reluctantly bid farewell to Michael Treadwell, whose employment took him interstate. We thank Michael for his enormous contribution to our Board through his involvement in and passion for, his community.

Our shareholders, customers and community can be assured that this Board continues to meet high standards of corporate governance, performance and compliance, whilst supporting our branch team and enjoying the varied community engagement opportunities we so enjoy.

I would also like to thank Melinda Symes, our hard-working and 'known by everyone' Community Engagement and Administration Support Officer and our hard-working Company Secretary Ken Brown, for their commitment to our company.

Our Community Bank will continue to be a strong partner, supporting and investing in our communities, as we know that there is something special about where we live and share 'common ground'. We absolutely depend on those communities to nurture us and sustain us.

We genuinely care, in every sense of the word, so we invite you to be part of our community enterprise. If you are not already a customer, consider switching to a bank that provides you with a better banking experience, while together we make a positive impact in our communities.



Heather Goddard
Chair

Reflect reconciliation action plan

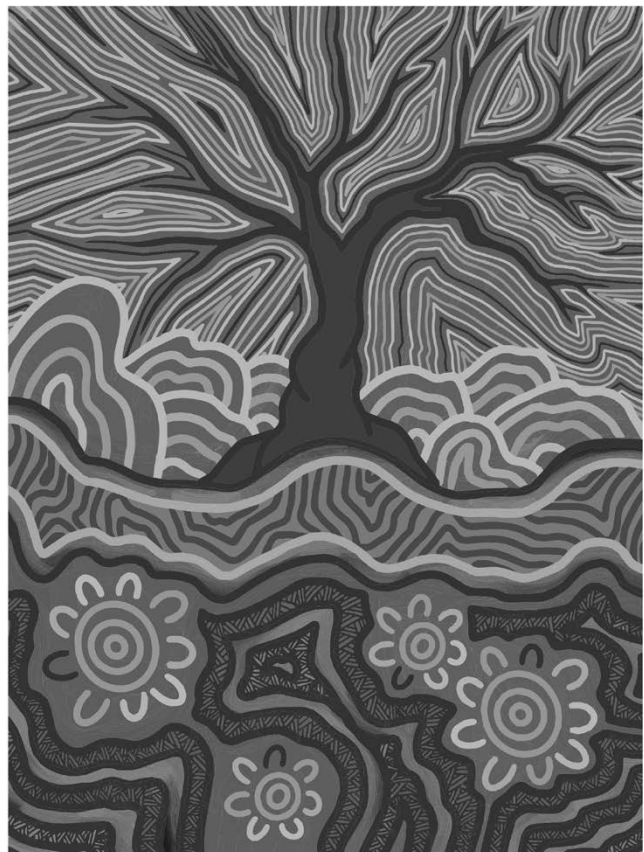
As a way to commemorate the launch of the Bendigo and Adelaide Bank's inaugural Reflect Reconciliation Action Plan 2023, they engaged with Yorta Yorta and Dja Dja Wurrung artist and educator, Troy Firebrace, to create a piece of art that symbolised the importance of and the start of the Bank's journey towards reconciliation.

This Reconciliation Action Plan will support the Bank in understanding, exploring and measuring, where and how we can have the most meaningful impact, and lay firm foundations for Reconciliation across the Group in the years to come.

Learn more about the Reconciliation Action Plan and learn more about the artwork by scanning the QR code



Artist: Troy Firebrace
Country: Yorta Yorta and Dja Dja Wurrung
Year Created: 2023



THE ARTIST

Troy Firebrace is a proud Yorta Yorta and Dja Dja Wurrung artist and educator. Born in Shepparton, Troy was always drawn to art and painting at school, but an absence of Aboriginal history and education in his schooling lead him on a path to becoming an educator too. Troy has a Bachelor in Creative Arts, Major in Fine Arts and a Masters of Teaching Secondary. He has exhibited at Kaiela Arts Shepparton, Dudley House Bendigo and Melbourne Museum. Troy lives in Bendigo with his family.

Official artist statement

The artwork focuses on three elements of Bendigo and Adelaide Bank. Community, Impact and Journey.

As an Aboriginal person, it's my interpretation of the Bank's ambitions and commitments, and feeling the truth in their words, which has let me step forward with trust in my creation.

Community is the connection the Bank is forming by learning about community and country. Ensuring the Bank's choices align with the beliefs, ambitions and respect of the community in which the Bank embeds itself. An authentic connection.

Impact is the result of the good, honest work the Bank strives for. The importance of relationships and quality service not only creates an open dialogue with the community, but also has a positive impact on the sustainability of the places they serve. The commitment of honest change for better impact.

Journey is the path of collective learning as a whole community. There is no one side benefiting from the other. The direction of the pathway is open to the whole community and that leads to prosperity. The truest form of partnership.

The Bank's ambitions are not solely of profit or just talk of finance. They are the model in which real communities are formed; where a simple "hello" becomes "how are you?" A question of investment in someone's life, free from creed, race or status. A question grounded in country.

Treasurer's report

For year ending 30 June 2023

2023 has been our best year ever for revenue growth and contributions to the community.

Revenue increased from \$928,000 in 2021/22 to \$1,729,000 in 2022/23. This was almost entirely due to a huge improvement deposit margins as interest rates were increased by the Reserve Bank of Australia. Over the year our combined deposit and loan margin was double the previous year, moving from 0.94% to 1.82%. This result is unlikely to be repeated in 2023/24 as we expect margins to return closer to our four-year average of 1.23%. Growth in footings was small and well below budget, so refocusing on growth will be a theme in 2023/24 for staff and directors.

Expenses were well controlled with only a 4% increase on the previous year. The extra revenue therefore fell straight down to Community Investment and Profit. This enabled us to dramatically increase our investment in the community from \$129,000 in 2021/22 to \$662,000 in 2022/23, along with an increase in profit before tax from \$99,000 to \$319,000.

During the year Total Equity increased from \$708,000 to \$888,000. A dividend payment of 7 cents per share was paid out in 2022/23 and as a result of the excellent performance in 2022/23 a dividend of 15 cents will be paid in September 2023. Both were fully franked.



Chris Gurney
Treasurer

Dividend payment history

Dividend to shareholders			
Financial Year	Amount Per Share	Franking Level*	Date Paid
2021/2022	\$0.07	Franked	29/08/2022
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

Community Bank Balnarring & District community groups and organisations supported to 30 June 2023

1st Balnarring Scouts	Friends of Bill Carroll Reserve
Radio 3RPP	Friends of Coolart
Balnarring ANZAC Organisation	Friends of Flinders Coastline
Balnarring Bowls & Social Club	Hastings Pony Club
Balnarring Bridge Magazine	Lions Club of Balnarring
Balnarring Cricket Club	Lord Somers Camp
Balnarring & District Netball Club	Merricks Beach Residents Association
Balnarring Fire Brigade	Merricks Coolart Catchment Landcare
Balnarring Historical Society	Merricks Station Reserve
Balnarring Ladies Probus	Merricks Yacht Club
Balnarring Community Child Care	MND fundraiser
Balnarring Picnic Racing	Mornington Peninsula Koala Foundation
Balnarring Pony Club	Mornington Peninsula Shire Youth Programs
Balnarring Pre-School	Mornington Peninsula Masters Swimming Club
Balnarring Primary School	Peninsula Riding for Disabled
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	Probus Club of Balnarring
Bittern Fire Brigade	Red Hill Agricultural & Horticultural Society
Boomerang Bags Balnarring	Red Hill Op Shop
Carriage Driving for Disabled, Mornington	Red Hill Riders Mountain Bike Club
Crib Point Football Netball Club	Saltbush
Crib Point Junior Cricket Club	Semiquavers
Crib Point Junior Football Club	Shoreham Fire Brigade
Community Defib Program	Shoreham Residents Association
Dreamhouse Theatre Company	Shoreham Tennis
Dromana Secondary College	Somers Art Fair
Embroiderers Guild of Victoria, Flinders	Somers Chamber Music Society
Escabags	Somers Fire Brigade
Flinders Community Association	Somers Ladies Probus
Flinders District Historical Society	Somers Primary School
Flinders Art Show	Somers School Camp
Flinders Bowls Club	Somers Tennis Club
Flinders Cricket Club	Somers Yacht Club
Flinders Fringe	St Johns Flinders, Recital Series & Fete
Flinders Golf Club	St Joseph Catholic Primary, Crib Point
Flinders Lions Club	St Marks Church, Balnarring
Flinders Pre-School	Westernport Community Support
Flinders Rural Fire Brigade	Western Port Secondary College
Flinders Yacht Club	Westernport Yacht Club
Flinders Zero Carbon	Womindjeka Festival Balnarring

Message from Bendigo and Adelaide Bank

For year ending 30 June 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future - growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than \$32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful to the hard work of many passionate Directors (past and present). Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.

Warmest regards,



Justine Minne
Bendigo and Adelaide Bank

Directors Report

The directors present their financial statements of the company for the financial year ended 30 June 2023

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2023.

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: Non-executive director
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 Merricks Coolart Catchment Landcare Group. Heather brings extensive local knowledge and involvement, administrative skills and a passion for community to the Board.
Special responsibilities: Chair, Governance & Human Resources Committee member, Marketing & Business Development Committee member

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 Sancell 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. Resigned as director of Bakers Delight Holdings in October 2022.
Special responsibilities: Treasurer, Marketing & 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. Lieutenant Royal Australian Navy Legal Officer
Special responsibilities: Member of Governance & Human Resources Committee, 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 & Budget Committee.

Director's report (continued)

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 & Human Resources Committee and Marketing & 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, Pets in the Park Admin Volunteer, Western Port Support Volunteer; Western Port Visitors Information Centre and extensive experience in senior positions in Local Government and Community Organizations. Extensive community involvement across wide range of community programs.
Special responsibilities:	Former Human Resources Convenor, Governance & Human Relations Committee.
Name:	Kym Anthony Bridgford
Title:	Non-executive director
Experience and expertise:	Bachelor of Arts (History/Politics/International Relations). Dip.Ed Grad Certificate in Counselling. Kym worked in Education and when retired was a large school secondary Principal. Kym has been on the Board as a Director for six years. Kym is active in caring for family and kids. Past member of Western Port tourism.
Special responsibilities:	Governance & Human Resources Committee and Community Investment Committee.
Name:	Sarah Jane Moran
Title:	Non-executive director
Experience and expertise:	Sarah was a personal assistant to a horse trainer for 12 years, she was in charge of the day-to-day running of the business as well as the owner liaison, social media and marketing. This saw her pursue a role with a digital marketing agency where she currently works as an account and social media manager for all things equine. She has been involved with the Mornington Carriage Driving for the Disabled for over 10 years which involves assisting with administration, social media and events.
Special responsibilities:	Marketing & Business Development Committee and Social Media Manager
Name:	Susan Anne Beanland
Title:	Non-executive director
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

Director's report (continued)

Name: Andrew Scott Thomas
Title: Non-executive director
Experience and expertise: Quality Assurance Manager - RAN (current), Chief Petty Officer - RAN (current). Previously held positions as Quality Assurance Manager - APS, Recognition Manager - contracted to RAN, Electronics Instructor & Instructor Manager, Treasurer Dromana Secondary College, Diploma Quality Auditing and Advanced Diploma Electronics Communications.
Special responsibilities: Deputy Chair, Governance & Human Resources Committee Covener, Member of Community Investment Committee

Name: Michele Sabto
Title: Non-executive director (*appointed 28 February 2023*)
Experience and expertise: Bachelor of Law with Honours, Master of Arts (Social and Political Theory), Graduate Diploma in Publishing and Editing, Graduate Diploma in Sustainable Agriculture. Past positions as Editor, Managing Editor and Marketing Manager (Academic and Social Sciences, and Trade) at Oxford University Press Australia, Content manager (Village Roadshow), Publishing project management and writing (freelance), Lecturer in professional writing and editing at RMIT, Executive Producer online content at SBS (project position), Manager Monash University ePress (now Monash University Publishing), Co-editor Ecos Magazine (CSIRO), Committee of Management Mornington Peninsula Landcare Network (founding committee member), Consultant project manager sustainable land management and private land conservation projects for various clients including government catchment management bodies and Landcare, solicitor.
Special responsibilities: Member of Governance & Human Resources Committee

Name: Michael Hartley Treadwell
Title: Non-executive director (*resigned 21 April 2023*)
Experience and expertise: Michael resigned from the Board in April 2023 owing to interstate work commitments, 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: Community Investment Committee Convener

Company secretary

The company secretary is Kenneth Brown. Kenneth 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 \$238,437 (30 June 2022: \$73,985).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.

Director's report (continued)

Dividends

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

	2023 \$
Fully franked dividend of 7 cents per share (2022: 10 cents)	<u>58,800</u>

Subsequent to financial year-end, the following dividends were declared by the directors. The dividends have not been provided for in the financial statements.

	2024 \$
Fully franked dividend of 15 cents per share	<u>126,000</u>

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2023 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.

Meetings of directors

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

	Board Eligible	Board Attended	Governance & Human Relations Eligible	Governance & Human Relations Attended
Heather Goddard	11	11	4	4
Mark John Laughton	11	7	4	4
Christopher John Gurney	11	9	-	-
Ronald Graham Kempster	11	10	-	-
Stuart Whiteley	11	7	4	3
Pamela Elizabeth Ford	11	8	4	3
Kym Anthony Bridgford	11	11	4	3
Sarah Jane Moran	11	10	-	-
Andrew Scott Thomas	11	9	4	4
Susan Anne Beanland	11	10	-	-
Michele Sabto	5	5	2	2
Michael Hartley Treadwell	8	8	-	-

Director's report (continued)

	Marketing & Business Development		Community Investment	
	Eligible	Attended	Eligible	Attended
Heather Goddard	4	4	-	-
Mark John Laughton	-	-	-	-
Christopher John Gurney	4	4	-	-
Ronald Graham Kempster	-	-	11	11
Stuart Whiteley	4	4	-	-
Pamela Elizabeth Ford	-	-	-	-
Kym Anthony Bridgford	-	-	11	10
Sarah Jane Moran	4	4	-	-
Andrew Scott Thomas	-	-	9	7
Susan Anne Beanland	-	-	11	10
Michael Hartley Treadwell	-	-	9	8

Eligible: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

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.

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
Sarah Jane Moran	-	-	-
Andrew Scott Thomas	4,600	5,000	9,600
Susan Anne Beanland	-	-	-
Michele Sabto	-	-	-
Michael Hartley Treadwell	500	-	500

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*.

Director's report (continued)

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 27 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
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

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



Heather Goddard
Chair

8 September 2023

Auditor's independence declaration



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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 2023, I declare that, to the best of my knowledge and belief, there have been:

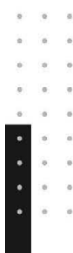
- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 8 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor



afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

Statement of Profit and Loss and Other Comprehensive Income for year ending 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	7	1,699,925	883,989
Other revenue		857	44,028
Finance revenue		8,941	287
Total revenue		<u>1,709,723</u>	<u>928,304</u>
Employee benefits expense	8	(421,785)	(420,622)
Advertising and marketing costs		(9,492)	(13,332)
Occupancy and associated costs		(26,717)	(35,096)
System costs		(29,519)	(27,608)
Depreciation and amortisation expense	8	(89,744)	(65,132)
Finance costs	8	(13,190)	(8,712)
General administration expenses		(138,072)	(129,067)
Total expenses before community contributions and income tax expense		<u>(728,519)</u>	<u>(699,569)</u>
Profit before community contributions and income tax expense		981,204	228,735
Charitable donations, sponsorships and grants expense	8	<u>(661,989)</u>	<u>(129,604)</u>
Profit before income tax expense		319,215	99,131
Income tax expense	9	<u>(80,778)</u>	<u>(25,146)</u>
Profit after income tax expense for the year	21	238,437	73,985
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>238,437</u></u>	<u><u>73,985</u></u>
		Cents	Cents
Basic earnings per share	29	28.39	8.81
Diluted earnings per share	29	28.39	8.81

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

Financial Statements (continued)

Statement of Financial Position for year ending 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	10	726,906	533,288
Trade and other receivables	11	164,186	87,607
Current tax assets	9	-	25,355
Total current assets		<u>891,092</u>	<u>646,250</u>
Non-current assets			
Property, plant and equipment	12	173,960	207,113
Right-of-use assets	13	312,798	349,241
Intangible assets	14	75,954	12,609
Deferred tax assets	9	940	-
Total non-current assets		<u>563,652</u>	<u>568,963</u>
Total assets		<u>1,454,744</u>	<u>1,215,213</u>
Liabilities			
Current liabilities			
Trade and other payables	15	46,271	41,902
Borrowings	16	5,096	4,946
Lease liabilities	17	26,538	24,217
Current tax liabilities	9	82,926	-
Employee benefits	18	51,582	51,889
Total current liabilities		<u>212,413</u>	<u>122,954</u>
Non-current liabilities			
Borrowings	16	25,336	30,432
Lease liabilities	17	282,980	306,605
Deferred tax liabilities	9	-	8,720
Employee benefits	18	23,938	16,831
Lease make good provision	19	22,148	21,379
Total non-current liabilities		<u>354,402</u>	<u>383,967</u>
Total liabilities		<u>566,815</u>	<u>506,921</u>
Net assets		<u>887,929</u>	<u>708,292</u>
Equity			
Issued capital	20	815,096	815,096
Retained earnings/(accumulated losses)	21	<u>72,833</u>	<u>(106,804)</u>
Total equity		<u>887,929</u>	<u>708,292</u>

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

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Financial Statements (continued)

Statement of Changes in Equity for year ending 30 June 2023

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2021		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	23	-	(84,000)	(84,000)
Balance at 30 June 2022		<u>815,096</u>	<u>(106,804)</u>	<u>708,292</u>
 Balance at 1 July 2022		<u>815,096</u>	<u>(106,804)</u>	<u>708,292</u>
Profit after income tax expense		-	238,437	238,437
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	238,437	238,437
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	23	-	(58,800)	(58,800)
Balance at 30 June 2023		<u>815,096</u>	<u>72,833</u>	<u>887,929</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 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,803,162	943,682
Payments to suppliers and employees (inclusive of GST)		(1,463,079)	(823,236)
Interest received		7,574	596
Interest and other finance costs paid		(991)	(1,136)
Income taxes refunded		17,843	1,113
Net cash provided by operating activities	28	364,509	121,019
Cash flows from investing activities			
Payments for property, plant and equipment		(6,735)	(120,893)
Payments for intangible assets		(69,698)	(13,222)
Net cash used in investing activities		(76,433)	(134,115)
Cash flows from financing activities			
Repayment of borrowings		(4,946)	(5,936)
Dividends paid	23	(58,800)	(84,000)
Repayment of lease liabilities	17	(30,712)	(38,564)
Net cash used in financing activities		(94,458)	(128,500)
Net increase/(decrease) in cash and cash equivalents		193,618	(141,596)
Cash and cash equivalents at the beginning of the financial year		533,288	674,884
Cash and cash equivalents at the end of the financial year	10	726,906	533,288

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

Notes to the Financial Statements

For year ending 30 June 2023

Note 1. Reporting entity

The financial statements cover Balnarring & District Community Services Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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 and are presented in Australian dollars, which is the company's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 September 2023. The directors have the power to amend and reissue the financial statements.

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 2022, 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)

For year ending 30 June 2023

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 2023.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets 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 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 that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. 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.

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 assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

The company assesses impairment of non-financial 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 as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions.

The company assesses impairment of non-financial 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 as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

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

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. Correction of error

The prior year financial report incorrectly classified chattel mortgages relating to motor vehicles under 'lease liabilities' and the corresponding asset under 'right-of-use assets'. Upon further analysis of *AASB 16 Leases*, the correct classification should have been under 'borrowings' and 'property, plant and equipment'. We considered the discrepancy immaterial to users of the financial report, however we believe it is important to rectify the classification error. Therefore, the necessary corrections to the 2023 and 2022 disclosures have been made accordingly.

Note 6. 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 in June 2028.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 6. 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.

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 7. Revenue from contracts with customers

	2023 \$	2022 \$
Margin income	1,568,798	755,820
Fee income	41,517	40,439
Commission income	89,610	87,730
	<u>1,699,925</u>	<u>883,989</u>

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:

Revenue stream	Includes	Performance obligation	Timing of recognition
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.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 7. Revenue from contracts with customers (continued)

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, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

Margin income

Margin on core banking products is arrived at through the following calculation:

	Interest paid by customers on loans less interest paid to customers on deposits
plus:	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
minus:	any costs of funds i.e. interest applied by 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 income

Commission income 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 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 2023

Note 8. Expenses

Employee benefits expense

	2023 \$	2022 \$
Wages and salaries	346,885	352,108
Non-cash benefits	10,372	10,751
Superannuation contributions	39,485	37,794
Expenses related to long service leave	10,392	4,959
Other expenses	14,651	15,010
	<u>421,785</u>	<u>420,622</u>

Depreciation and amortisation expense

	2023 \$	2022 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	2,098	2,109
Furniture and fittings	29,125	12,483
Motor vehicles	8,665	11,811
	<u>39,888</u>	<u>26,403</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	36,443	25,415
<i>Amortisation of intangible assets</i>		
Franchise fee	122	2,204
Franchise renewal process fee	13,201	11,019
Other	90	91
	<u>13,413</u>	<u>13,314</u>
	<u>89,744</u>	<u>65,132</u>

Finance costs

	2023 \$	2022 \$
Chattel mortgage interest	991	1,136
Lease interest expense	11,430	6,513
Unwinding of make good provision	769	1,063
	<u>13,190</u>	<u>8,712</u>

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

Leases recognition exemption

	2023 \$	2022 \$
Expenses relating to low-value leases	<u>11,148</u>	<u>15,167</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 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 8. Expenses (continued)

Charitable donations, sponsorships and grants

	2023 \$	2022 \$
Direct donation, sponsorship and grant payments	346,200	129,604
Contribution to the Community Enterprise Foundation™	315,789	26,316
	<u>661,989</u>	<u>155,920</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 to and held by the Community Enterprise Foundation™ (CEF) 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

	2023 \$	2022 \$
<i>Income tax expense</i>		
Current tax	90,438	-
Movement in deferred tax	(9,660)	39,453
Future Income tax benefit attributable to losses	-	(14,307)
Aggregate income tax expense	<u>80,778</u>	<u>25,146</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	319,215	99,131
Tax at the statutory tax rate of 25%	79,804	24,783
Tax effect of:		
Non-deductible expenses	974	363
Income tax expense	<u>80,778</u>	<u>25,146</u>
	2023 \$	2022 \$
<i>Deferred tax attributable to:</i>		
expense accruals	984	1,018
employee provisions	18,880	17,240
make-good provision	5,537	5,345
lease liability	77,380	82,706
income accruals	(344)	-
property, plant and equipment	(23,297)	(27,719)
right-of-use assets	(78,200)	(87,310)
Deferred tax asset/(liability)	<u>940</u>	<u>(8,720)</u>

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 9. Income tax (continued)

	2023 \$	2022 \$
Income tax refund due	-	25,355
	<u>2023 \$</u>	<u>2022 \$</u>
Provision for income tax	82,926	-

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, 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.

Note 10. Cash and cash equivalents

	2023 \$	2022 \$
Cash at bank and on hand	250,286	264,237
Term deposits	476,620	269,051
	<u>726,906</u>	<u>533,288</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.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 11. Trade and other receivables

	2023 \$	2022 \$
Trade receivables	150,477	82,583
Other receivables and accruals	249	340
Accrued income	1,378	7
Prepayments	12,082	4,677
	13,709	5,024
	164,186	87,607

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

	2023 \$	2022 \$
Leasehold improvements - at cost	31,562	52,863
Less: Accumulated depreciation	(18,925)	(17,291)
	12,637	35,572
Furniture and fixtures - at cost	444,370	416,334
Less: Accumulated depreciation	(309,039)	(279,450)
	135,331	136,884
Motor vehicles - at cost	49,790	49,790
Less: Accumulated depreciation	(23,798)	(15,133)
	25,992	34,657
	173,960	207,113

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

	Leasehold improvements \$	Furniture and fixtures \$	Motor vehicles \$	Total \$
Balance at 1 July 2021	16,844	49,325	50,057	116,226
Additions	23,410	97,483	-	120,893
Disposals	-	(14)	(3,589)	(3,603)
Depreciation	(2,109)	(12,483)	(11,811)	(26,403)
Balance at 30 June 2022	38,145	134,311	34,657	207,113
Additions	-	6,735	-	6,735
Transfers in/(out)	(23,410)	23,410	-	-
Depreciation	(2,098)	(29,125)	(8,665)	(39,888)
Balance at 30 June 2023	12,637	135,331	25,992	173,960

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 12. Property, plant and equipment (continued)

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.

Furniture and fixtures 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:

Furniture and fixtures	2 to 20 years
Leasehold Improvements	5 to 10 years
Motor vehicles	5 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.

Note 13. Right-of-use assets

	2023 \$	2022 \$
Land and buildings - right-of-use	364,425	364,425
Less: Accumulated depreciation	(51,627)	(15,184)
	<u>312,798</u>	<u>349,241</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 \$
Balance at 1 July 2021	32,396
Remeasurement adjustments	(22,165)
Additional right-of-use assets recognised	364,425
Depreciation expense	<u>(25,415)</u>
Balance at 30 June 2022	349,241
Depreciation expense	<u>(36,443)</u>
Balance at 30 June 2023	<u>312,798</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.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 13. Right-of-use assets (continued)

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 17 for more information on lease arrangements.

Note 14. Intangible assets

	2023 \$	2022 \$
Franchise fee	45,333	32,555
Less: Accumulated amortisation	(32,674)	(30,451)
	<u>12,659</u>	<u>2,104</u>
Franchise renewal fee	176,667	112,777
Less: Accumulated amortisation	(113,372)	(102,272)
	<u>63,295</u>	<u>10,505</u>
	<u>75,954</u>	<u>12,609</u>

Reconciliations of the carrying 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 2021	4,308	21,524	25,832
Amortisation expense	(2,204)	(11,019)	(13,223)
Balance at 30 June 2022	2,104	10,505	12,609
Additions	12,778	63,890	76,668
Amortisation expense	(122)	(13,201)	(13,323)
Balance at 30 June 2023	<u>14,760</u>	<u>61,194</u>	<u>75,954</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 2028
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	June 2028

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

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 14. Intangible assets (continued)

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.

Note 15. Trade and other payables

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	5,878	4,429
Other payables and accruals	40,393	37,473
	<u>46,271</u>	<u>41,902</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. Borrowings

	2023 \$	2022 \$
<i>Current liabilities</i>		
Chattel mortgage - motor vehicle	<u>5,096</u>	<u>4,946</u>
<i>Non-current liabilities</i>		
Chattel mortgage - motor vehicle	<u>25,336</u>	<u>30,432</u>

Chattel Mortgage

The chattel mortgage is repayable monthly with the final instalment due on March 2025. Interest is recognised at a fixed rate of 2.99% (2022: 2.99%). Upon the final payment the registered security over the motor vehicle is removed.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 17. Lease liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	37,083	35,657
Unexpired interest	(10,545)	(11,440)
	<u>26,538</u>	<u>24,217</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	324,836	358,996
Unexpired interest	(41,856)	(52,391)
	<u>282,980</u>	<u>306,605</u>
<i>Reconciliation of lease liabilities</i>		
	2023 \$	2022 \$
Opening balance	330,822	63,723
Additional lease liabilities recognised	-	339,404
Remeasurement adjustments	(2,022)	(40,254)
Lease interest expense	11,430	6,513
Lease payments - total cash outflow	(30,712)	(38,564)
	<u>309,518</u>	<u>330,822</u>
<i>Maturity analysis</i>		
	2023 \$	2022 \$
Not later than 12 months	37,083	35,657
Between 12 months and 5 years	161,417	152,830
Greater than 5 years	163,419	206,166
	<u>361,919</u>	<u>394,653</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 lease payments 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.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 17. Lease liabilities (continued)

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 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:

Lease	Discount rate	Non-cancellable term	Renewal options	Reasonably certain to exercise options	Lease term end date used in calculations
Balnarring Branch	3.54%	5 years	1 x 5 years	Yes	January 2032

Note 18. Employee benefits

	2023 \$	2022 \$
<i>Current liabilities</i>		
Annual leave	24,607	28,199
Long service leave	26,975	23,690
	<u>51,582</u>	<u>51,889</u>
<i>Non-current liabilities</i>		
Long service leave	<u>23,938</u>	<u>16,831</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.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 18. Employee benefits (continued)

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

Note 19. Lease make good provision

	2023 \$	2022 \$
Lease make good	22,148	21,379

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 the 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.

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. The 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 20. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	840,000	840,000	840,000	840,000
Less: Equity raising costs	-	-	(24,904)	(24,904)
	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.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 20. Issued capital (continued)

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- 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 201. As at the date of this report, the company had 231 shareholders (2022: 238 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 their associates) has a prohibited shareholding interest in 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 21. Retained earnings/(accumulated losses)

	2023 \$	2022 \$
Accumulated losses at the beginning of the financial year	(106,804)	(96,789)
Profit after income tax expense for the year	238,437	73,985
Dividends paid (note 23)	(58,800)	(84,000)
Retained earnings/(accumulated losses) at the end of the financial year	<u>72,833</u>	<u>(106,804)</u>

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 22. 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.

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

Note 23. 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.

	2023 \$	2022 \$
Fully franked dividend of 7 cents per share (2022: 10 cents)	58,800	84,000

Subsequent dividends not recognised at balance date

Since the end of the financial year, the board of directors has declared a fully franked dividend of 15 cents per share, to be paid in September 2023. The financial impact of the dividend, amounting to \$126,000, has not been recognised in the financial statements for the financial year ended 30 June 2023, and will be recognised in the subsequent financial statements.

	2024 \$
Fully franked dividend of 15 cents per share	126,000

Franking credits

	2023 \$	2022 \$
Franking account balance at the beginning of the financial year	82,984	112,098
Franking credits (debits) arising from income taxes paid (refunded)	(17,843)	(1,114)
Franking debits from the payment of franked dividends	(19,600)	(28,000)
	45,541	82,984
<i>Franking transactions that will arise subsequent to the financial year end:</i>		
Balance at the end of the financial year	45,541	82,984
Franking credits (debits) that will arise from payment (refund) of income tax	82,926	(25,355)
Franking credits available for future reporting periods	128,467	57,629

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 23. Dividends (continued)

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 24. Financial instruments

	2023 \$	2022 \$
Financial assets		
Trade and other receivables	152,104	82,930
Cash and cash equivalents	<u>726,906</u>	<u>533,288</u>
	<u>879,010</u>	<u>616,218</u>
Financial liabilities		
Trade and other payables	46,271	41,902
Lease liabilities	309,518	330,822
Chattel mortgages	<u>30,432</u>	<u>35,378</u>
	<u>386,221</u>	<u>408,102</u>

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.

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.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$726,906 at 30 June 2023 (2022: \$533,288).

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 24. Financial instruments (continued)

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.

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, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

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.

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 \$
2023				
Chattel mortgage	5,096	25,336	-	30,432
Trade and other payables	46,271	-	-	46,271
Lease liabilities	37,083	161,417	163,419	361,919
Total non-derivatives	88,450	186,753	163,419	438,622
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2022				
Chattel mortgage	4,946	30,432	-	35,378
Trade and other payables	41,902	-	-	41,902
Lease liabilities	35,657	152,830	206,166	394,653
Total non-derivatives	82,505	183,262	206,166	471,933

Note 25. Key management personnel disclosures

The following persons were directors of Balnarring & District Community Services Limited during the financial year and/or up to the date of signing of these Financial Statements.

Heather Goddard
Christopher John Gurney
Mark John Laughton
Ronald Graham Kempster
Stuart Whiteley
Andrew Scott Thomas

Pamela Elizabeth Ford
Kym Anthony Bridgford
Sarah Jane Moran
Susan Anne Beanland
Michele Sabto
Michael Hartley Treadwell

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.

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 26. Related party transactions

The following transactions occurred with related parties:

	2023 \$	2022 \$
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

Note 27. 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:

	2023 \$	2022 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,400	5,200
<i>Other services</i>		
General advisory services	2,930	2,430
Share registry services	3,832	3,626
	6,762	6,056
	12,162	11,256

Note 28. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 \$	2022 \$
Profit after income tax expense for the year	238,437	73,985
Adjustments for:		
Depreciation and amortisation	89,650	65,041
Net gain on disposal of non-current assets	-	(40,425)
Lease liabilities interest	11,430	7,649
Change in operating assets and liabilities:		
Increase in trade and other receivables	(76,579)	(23,260)
Decrease/(increase) in income tax refund due	25,355	(13,194)
Decrease/(increase) in deferred tax assets	(940)	30,733
Increase/(decrease) in trade and other payables	(2,597)	8,777
Increase in provision for income tax	82,926	-
Increase/(decrease) in deferred tax liabilities	(8,720)	8,720
Increase in employee benefits	6,800	8,245
Decrease in other provisions	(1,253)	(5,252)
Net cash provided by operating activities	364,509	121,019

Notes to the Financial Statements (continued)

For year ending 30 June 2023

Note 29. Earnings per share

	2023 \$	2022 \$
Profit after income tax	238,437	73,985
	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
	Cents	Cents
Basic earnings per share	28.39	8.81
Diluted earnings per share	28.39	8.81

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, by the weighted average number of ordinary shares outstanding during the financial year.

Note 30. Commitments

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

Note 31. Contingencies

There were no contingent liabilities or contingent assets at the date of this report.

Note 32. Events after the reporting period

Apart from the dividend declared as disclosed in note 23, no other matter or circumstance has arisen since 30 June 2023 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

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 2023 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



Heather Goddard
Chair

8 September 2023

Independent audit report



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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 (the company), which comprises:

- Statement of financial position as at 30 June 2023
- 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:

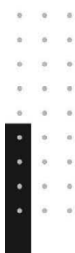
- i. giving a true and fair view of the company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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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Andrew Frewin Stewart
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(03) 5443 0344

Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company'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. We have nothing to report in this regard.

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.

The directors are responsible for overseeing the company's financial reporting process.

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.

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Independent audit report (continued)



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Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 8 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

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