



# Annual Report 2023

Barwon Heads Community  
Enterprise Limited

Community Bank  
Barwon Heads

ABN 68 149 465 396



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# Chair's report

For year ending 30 June 2023

In the Barwon Heads Community Enterprise Limited (BHCEL) FY2021-22 Chair's Report I used the phrase "challenging year" to describe what been an eventful 12 months. For FY2022-23, I am really proud that the phrase that would best describe these last 12 months is "a really pleasing year".

Yes, there have been challenges, however as a Community Bank Barwon Heads branch team, BHCEL Board team, shareholders and broader community, we should all feel really pleased and very proud of what we have achieved and the impact we have all had.

Our Vision is "To be your Community Bank" – community driven with a Mission to "Create lasting and meaningful impacts/or our communities" and BHCEL continued to focus and deliver on this. In FY2022 BHCEL supported over 20 community and sporting groups totaling \$86,000. What we noticed throughout the year was that we continued to have engaging conversations with our sporting and community groups about their increasing focus on broader diversity, inclusivity and participation. There was also an emerging trend with community groups looking to partner with Community Bank Barwon Heads to deliver substantive and longer-term projects that have a broader impact on our communities through the investment in capital equipment and infrastructure - and we expect that trend to continue.

Our branch team are the key to our success and the efforts of Branch Manager Kellie Thomson and the whole team have been sensational. Led passionately by Kellie, the way in which all of the team have focused on creating a truly welcoming and service orientated environment for our customers has been sensational. Their commitment to be actively participating and contributing to the community and the growth of the branch is second to none and very much appreciated.

As Kellie highlighted in her Branch Manager's report, our customer growth and your satisfaction with Community Bank Barwon Heads are really pleasing indicators of the positive impact the team are having. Your continued commitment to our Community Bank enables us to continue our commitment to the community-so a massive thankyou to all of our customers.

This was one of the reasons we committed to a significant investment in the branch refurbishment - we wanted to refresh and re-create a positive space for our branch team and our customers. A visible demonstration of our commitment to serving our communities, the feedback from the branch team, Bendigo Bank colleagues and our customers has been exceptionally positive. Whilst increasingly our banking service incorporate digital and on-line products and platforms, we believe a unique differentiator for us is our high street presence -and we look to leveraging this investment to help us grow our business in Barwon Heads and surrounding communities.

Our volunteer Board members have made a massive contribution to the success of our branch and the investment in our communities so thankyou to all past and current Board members for what you have done, and continue to do on behalf of Community Bank Barwon Heads. This last financial year saw change in our how we worked as a Board to deliver our Vision and Mission and we re-focused our Board teams on three core areas - Our Branch, Our Community and Our Future. We commenced a refresh of our strategy and welcomed new Board members - specifically focusing on greater gender and age diversity to ensure we have a capable and experienced Board which is reflective of our communities.

## Chairman's report (continued)

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Whilst our heart is in our communities, Community Bank Barwon Heads is part of a broader community bank network that in FY2023 celebrated 25 years of the Community Bank model – and has returned collectively more than \$320 million in profits to the community since inception. Being part of the Community Bank network with a social enterprise focus and enabled by Bendigo Bank, presents us with a unique opportunity to be part of what is the largest social enterprise in Australia.

As a community owned bank, we are extremely fortunate to have a loyal and committed shareholder group. As I did last year, it is appropriate to close this Chair's report with acknowledgement and appreciation for your ongoing support of Community Bank Barwon Heads.

In September 2022, we proudly celebrated 10 years of Community Bank Barwon Heads! We are truly excited about what the next 10 years will bring -and we hope you are too!



**Damien O'Malley**  
**Chair**

# Manager's report

For year ending 30 June 2023

I am very pleased to be submitting my second report as Branch Manager of our local Community Bank Barwon Heads. In the past 12 months, I have enjoyed getting to know the community and working with a passionate team of staff and Directors.

Community Bank Barwon Heads Branch experienced strong consumer and retail banking growth however a challenging business banking environment resulted in overall business reducing from \$154 million to \$149 million.

Our customer numbers increased by 8.42 percent, a great result and positive trend given Community Bank Barwon Heads' establishment in 2012. Importantly, customer service and engagement continued to be positive with a satisfaction score of 4.96 against a target of 4.70. This is a sensational achievement and credit to the wonderful team we have at our branch. From a staff perspective, I am really proud of the branch team we have now established – a great mix of banking experience and customer service orientation who really enjoy being part of Barwon Heads community.

Since its inception, the Barwon Heads Community Enterprise Limited (BHCEL) has generously reinvested over \$800,000 to the local community. I would like to thank the many groups who have welcomed me at their events throughout the year – this is truly an accepting community that I am grateful to be a part of. I am looking forward to strengthening these relationships and establishing new connections in the next financial year.

The Community Bank Barwon Heads branch team is passionate about serving the local community and is always looking for new ways to help. We have grown in numbers since last year, and our staff are committed to being involved in events in the area. We want to make sure that our customers, Directors, shareholders and the community as a whole are always taken care of.

The refurbishment of the branch building has allowed for a more flexible working space and a more engaging and welcoming customer environment. We are now in a position to regularly welcome colleagues and partners from the Bendigo Bank and community network.

The Barwon Heads community, Board of Directors and Bendigo Bank regional team have all been instrumental in supporting the branch over recent years -thank you all for your positive attitude and dedication. With growth in the business and continued support from our community, we are confident that we can achieve great things in the coming years.



**Kellie Thomson**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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.



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

# Community Bank National Council report

For year ending 30 June 2023



As a shareholder in your local Community Bank, you belong to an incredible social enterprise network that to date has reinvested more than \$300 million in our local communities.

And now, as we celebrate our 25th anniversary milestone, we are evolving even further by sharpening our focus on our community enterprises – separate to the banking side of the business. We are uniting our Community Bank companies through a shared vision of being the most influential network of social enterprises in Australia. This means we'll have a bigger and better story to tell about how we collectively deliver impact.

Our future is together because of our extraordinary strength and aligned partnership with each other, and with our partner, Bendigo and Adelaide Bank. Our partnership with the Bank has been fashioned out of shared effort, risk and reward and it continues to serve us well.

And now even with the digital evolution upon us, the foundation of our future still relies on the guiding principles of the Community Bank model. We are community enterprises and the custodians of this incredible model that collaborates with local communities for social good. The objective of our Community Bank network remains the same. Our evolution will be evidenced by the channels that we use to connect with our customers and communities, digital by design and human where it matters.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches. The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer Directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country.

The Community Bank network creates impact through grants, donations and sponsorships that connect with and care for generations of Australians. Network investment ranges from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. We also facilitate and attract partnerships to help support much needed community projects.

The Community Bank National Council (CBNC) is the voice of the Community Bank network. The role of the CBNC is to advocate and influence on behalf of the 240 community enterprises with its partner. It has also been the role of the CBNC to oversee the development of the Community Network Strategy which exists to ensure the ongoing sustainability of this unique collective of social enterprises.

In September this year our Community Bank network celebrates 25 years. It's a tremendous milestone and one which we're hugely proud of achieving. We have never been stronger and we look forward to continuing to serve our shareholders, customers and communities as we embrace our exciting future.

Warm regards

A stylized, handwritten signature in dark ink, appearing to read 'Sarah Franklyn'.

**Sarah Franklyn**  
CBNC Chair



# Directors' report

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:                     | Damien Patrick O'Malley  |
| Title:                    | Non-executive director   |
| Experience and expertise: | Founder and Senior Consultant of strategic HR consulting business and co-founder of strategic off-sites consulting business. Clients include commercial / non-for-profit organisations in health, hospitality, infrastructure, financial services, legal services & retail. Previous experience as senior HR practitioner in leading national business in financial services, directories, gambling & entertainment, aviation and retail. Masters of Human Resources Development (UTS), Bachelor of Arts (Adelaide University), accredited as Executive Coach and number of leadership, team and cultural diagnostics. |
| Special responsibilities: | Chair, Business Development, Member Business Development and Grants, Member Operations, and Culture Committee, Member Strategy and Governance Committee  |
| Name:                     | Alexander Gordon Scott Gemmell   |
| Title:                    | Non-executive director   |
| Experience and expertise: | Member Institute of Chartered Accountants of Scotland. Bachelor in Accounting from Edinburgh University. Qualified with one of the Big Four accounting practices then held senior roles in financial, logistics and general management across international chemical and food businesses. Thereafter CEO of a major Not-for-Profit operating in aged care, retirement living, disability, youth and children's services. Latterly a consultant to the aged care and retirement sectors.  |
| Special responsibilities: | Deputy Chair, Treasurer, Member Operations and Culture Committee, Member Strategy and Governance Committee   |
| Name:                     | Anthony James Gurry  |
| Title:                    | Non-executive director   |
| Experience and expertise: | Bachelor of Commerce from Melbourne University, Fellow of Institute of Chartered Accountants. Practised as an Accountant in Hamilton, Victoria for over 40 years. Served on the Board as President for Currawong House, Hamilton Base Hospital and Mulleraterong Centre Inc. Life member of Hamilton Base Hospital and Mulleraterong Centre Inc.   |
| Special responsibilities: | Member Strategy and Governance Committee   |
| Name:                     | David Ian Patrick  |
| Title:                    | Non-executive director   |
| Experience and expertise: | After retiring from senior management positions in a large multinational company, Patrick undertook consultancy positions with various public companies focusing on the Logistics and Procurement functions. Since being welcomed into the Barwon Heads community a number of years ago he wanted to contribute back into that community, hence his decision to join the board.  |
| Special responsibilities: | Chair Operations and Culture Committee   |
| Name:                     | Phoebe Gillian Chirnside   |
| Title:                    | Non-executive director (appointed 26 September 2022)   |
| Experience and expertise: | Phoebe is a Brand Manager at CSL Seqirus with 6 years experience in the Pharmaceutical industry. Her qualifications include Bachelor of Business (Marketing) from RMIT. She currently holds the position of Women's Football Director for Barwon Heads Football Netball Club and is a player within the Women's Football team. Phoebe grew up locally in Wallington and has since returned to reside in Ocean Grove after a number of years working and living in Melbourne.   |
| Special responsibilities: | Member of Strategy and Governance Committee  |

## Directors' report (continued)

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|                           |   |
|---------------------------|---|
| Name:                     | Martin Clarke Sinnett   |
| Title:                    | Non-executive director (appointed 26 September 2022)  |
| Experience and expertise: | Martin is an Oral Health Therapist who co-established Barwon Heads Dental. He has worked with specialist Orthodontists, Periodontists, Prosthodontists and general Dentists in Australia and abroad.  |
| Special responsibilities: | Member Business Development and Grants Committee  |
| Name:                     | Jessie Louise Christiaans   |
| Title:                    | Non-executive director (appointed 24 October 2022)  |
| Experience and expertise: | Since graduating from La Trobe University with a Bachelor degree of Applied Science and Master of Occupational Therapy Practice, Jess has worked in various clinical health care settings. Jess is the Director of a mobile Occupational Therapy business (My Health Space Pty Ltd), which services people with NDIS plans and Home Care Packages in the Geelong, Bellarine, Surf Coast, Colac Otway Region, Greater Melbourne and Greater Western Victoria Region. In addition to her work commitments, Jess is in the leadership team for the Barwon Heads Senior Women's Football Program and enjoys volunteering her time to the Junior Football Program.                                   |
| Special responsibilities: | Member Business Development and Grants Committee  |
| Name:                     | Pamela Jean Morrison  |
| Title:                    | Non-executive director (appointed 24 October 2022)  |
| Experience and expertise: | Pamela is a recently retired Emergency Nurse. She has also worked in remote area nursing -Weipa -and in a Withdrawal Clinic in Geelong. Pamela has a Nursing Degree with Honours which she completed at the age of 45. She belongs to the local Community Garden group with the ancillary group of Beekeepers. She is passionate about supporting community groups and individuals within the community of Barwon Heads and surrounds. Recently Pamela has undertaken an admin. role with Geelong Hospice Foundation which involved scribing for their Voluntary Board and assisting with the administration of Grants to relevant groups and individuals within the Palliative Care community. |
| Special responsibilities: | Member Business Development and Grants Committee  |
| Name:                     | Lisa Nicole Hinds   |
| Title:                    | Non-executive director (appointed 27 February 2023)   |
| Experience and expertise: | Lisa is a media, communications and content specialist with experience building brand equity and positive community sentiment for a range of media, government and non-profit organisations across multiple channels including radio, television and social media.  |
| Special responsibilities: | Member Business Development and Grants Committee  |
| Name:                     | Lauren Rosamond O'Loughlin  |
| Title:                    | Non-executive director (appointed 26 June 2023)   |
| Experience and expertise: | Lauren works as a corporate and commercial lawyer with a specific focus in commercial leasing, the sale of businesses, franchising and intellectual property. Lauren holds a Bachelor of Laws and Bachelor of International Studies from Deakin University.   |
| Special responsibilities: | Member Strategy and Governance Committee  |
| Name:                     | Christine Mary McDonald   |
| Title:                    | Non-executive director (resigned 23 February 2023, appointed 15 May 2023)   |
| Experience and expertise: | Bachelor of Science, Diploma Education, Certificate IV in Financial Services. Experience as a Mathematics/Computer Science Teacher, RAN Officer in the areas of electronics and media, Finance Officer and BAS Agent.   |
| Special responsibilities: | Secretary, Member Operations and Culture Committee  |

## Directors' report (continued)

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Name: Ross Kenneth Walter  
Title: Non-executive Director (resigned 13 September 2022)  
Experience and expertise: Holding a Bachelor of Business in Supply Chain Management, Ross has over 25 years' experience in operations, logistics, retailing, supply chain management, procurement and systems. He has held a number of General Management positions with logistics, liquor, healthcare, food wholesaling and FMCG companies with a key focus on business processes, business efficiency, integration of systems and holistic leadership. He has also held a range of positions in sporting and community groups including senior coaching roles, committee and chair. This included a position as a Board Director of Victorian Water polo Inc. Ross is involved in many local sporting clubs and groups including social AFL football, basketball, and supporting men's health causes and charities. Ross has been a member of the Board since 2016.  
Special responsibilities: Member Business Development and Grants Committee

Name: Alastair Robert Lawrence Thomson  
Title: Non-executive director (resigned 13 September 2022)  
Experience and expertise: Licensed Real Estate Agent for 10 years. Director/Owner of a local Real Estate business. Previously 10 years as the Owner Operator of a retail garden centre. Bachelor of Applied Sciences (Horticulture). Over 20 years experience operating small business. Secretary Barwon Heads Cricket Club, Under 9's coach Barwon Heads Soccer Club. Resident of Barwon Heads for 16 years, still not classified as a local.  
Special responsibilities: Member Business Development and Grants Committee

Name: Madeline Bent  
Title: Non-executive director (resigned 23 February 2023)  
Experience and expertise: Bachelor of Business and Arts in International Trade and Asian Studies, Advanced Diploma in Building Design (Architectural). After finishing her studies, Madeleine was an assistant English teacher at a middle school in Japan. Having lived in Barwon Heads since 1999, Madeleine now lives in Connewarre. Madeleine has run her own Building Design business with a focus on residential design for the last decade. Previous volunteering experience with various sporting clubs her children were participants in and the Barwon heads Primary School council for three years.  
Special responsibilities: Member Business Development and Grants Committee

Name: Edmund Jepson McCabe  
Title: Non-executive director (resigned 30 June 2023)  
Experience and expertise: Retired sessional member of Victorian Civil & Administrative Tribunal (23 years). Previously a partner in the legal firm of Brown & Proudfoot, Horsham for 40 years, a Director of GWM Water and a Board member and President of Wimmera Health Care Group, Life Governor of Wimmera Health Care Group, Life member of Horsham Apex Club and Life Member of Wimmera Football League.  
Special responsibilities: Member Strategy and Governance Committee

Name: Nishantha Lakshman Parनाविताना  
Title: Non-executive director (resigned 31 July 2023)  
Experience and expertise: Nishantha has been a freelance photographer for the past 9 years, running a photography business. Prior to that, Nishantha was a Financial Planner and worked in the Banking and Finance industry for 24 years. Qualifications include an Advanced Diploma in Photography and a Diploma in Financial Planning.  
Special responsibilities: Member Business Development and Grants Committee

### Company secretary

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

- Christine McDonald was appointed company secretary on 15 May 2023.
- Edmund McCabe was appointed as company secretary on 27 June 2022 and ceased 31 May 2023.

## Directors' report (continued)

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### 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 \$20,711 (30 June 2022: \$60,070).

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.

### Dividends

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

|   |                      |
|---|----------------------|
|   | <b>2023</b>          |
|   | <b>\$</b>            |
| Fully franked dividend of 7 cents per share (2022: 7 cents) | <u><u>57,222</u></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

No 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.

## Directors' report (continued)

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

|                                  | Board    |          | Business Development & Grants |          |
|----------------------------------|----------|----------|-------------------------------|----------|
|                                  | Eligible | Attended | Eligible                      | Attended |
| Damien Patrick O'Malley          | 12       | 10       | 12                            | 11       |
| Alexander Gordon Scott Gemmell   | 12       | 9        | -                             | -        |
| Anthony James Gurry              | 12       | 9        | -                             | -        |
| David Ian Patrick                | 12       | 12       | -                             | -        |
| Phoebe Gillian Chirnside         | 9        | 9        | -                             | -        |
| Martin Clarke Sinnett            | 9        | 7        | 11                            | 10       |
| Jessie Louise Christiaans        | 8        | 7        | 6                             | 5        |
| Pamela Jean Morrison             | 8        | 6        | 6                             | 4        |
| Lisa Nicole Hinds                | 4        | 4        | 4                             | 4        |
| Lauren Rosamond O'Loughlin       | 1        | 1        | -                             | -        |
| Christine Mary McDonald          | 8        | 8        | -                             | -        |
| Ross Kenneth Walter              | 1        | -        | -                             | -        |
| Alastair Robert Lawrence Thomson | -        | -        | -                             | -        |
| Madeline Bent                    | 6        | 5        | -                             | -        |
| Edmund Jepson McCabe             | 11       | 8        | -                             | -        |
| Nishantha Lakshman Paravitana    | 12       | 10       | 12                            | 9        |

|                                  | Operations & Culture |          | Strategy, Governance & Stakeholder |          |
|----------------------------------|----------------------|----------|------------------------------------|----------|
|                                  | Eligible             | Attended | Eligible                           | Attended |
| Damien Patrick O'Malley          | 10                   | 9        | 10                                 | 10       |
| Alexander Gordon Scott Gemmell   | 10                   | 9        | 10                                 | 8        |
| Anthony James Gurry              | -                    | -        | 10                                 | 10       |
| David Ian Patrick                | 10                   | 9        | -                                  | -        |
| Phoebe Gillian Chirnside         | -                    | -        | 8                                  | 7        |
| Martin Clarke Sinnett            | -                    | -        | -                                  | -        |
| Jessie Louise Christiaans        | -                    | -        | -                                  | -        |
| Pamela Jean Morrison             | -                    | -        | -                                  | -        |
| Lisa Nicole Hinds                | -                    | -        | -                                  | -        |
| Lauren Rosamond O'Loughlin       | -                    | -        | 1                                  | 1        |
| Christine Mary McDonald          | 7                    | 6        | -                                  | -        |
| Ross Kenneth Walter              | -                    | -        | -                                  | -        |
| Alastair Robert Lawrence Thomson | -                    | -        | -                                  | -        |
| Madeline Bent                    | -                    | -        | -                                  | -        |
| Edmund Jepson McCabe             | -                    | -        | 9                                  | 6        |
| Nishantha Lakshman Paravitana    | -                    | -        | -                                  | -        |

### 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' report (continued)

### Directors' interests

The interest in company shareholdings for each director are:

|                                  | Balance at<br>the start of<br>the year | Changes | Balance at<br>the end of the<br>year |
|----------------------------------|--|---------|--------------------------------------|
| Damien Patrick O'Malley          | -                                      | -       | -                                    |
| Alexander Gordon Scott Gemmell   | -                                      | -       | -                                    |
| Anthony James Gurry              | -                                      | -       | -                                    |
| David Ian Patrick                | -                                      | -       | -                                    |
| Phoebe Gillian Chirnside         | -                                      | -       | -                                    |
| Martin Clarke Sinnett            | -                                      | -       | -                                    |
| Jessie Louise Christiaans        | -                                      | -       | -                                    |
| Pamela Jean Morrison             | -                                      | -       | -                                    |
| Lisa Nicole Hinds                | -                                      | -       | -                                    |
| Lauren Rosamond O'Loughlin       | -                                      | -       | -                                    |
| Christine Mary McDonald          | -                                      | -       | -                                    |
| Ross Kenneth Walter              | -                                      | -       | -                                    |
| Alastair Robert Lawrence Thomson | 6,250                                  | -       | 6,250                                |
| Madeline Bent                    | -                                      | -       | -                                    |
| Edmund Jepson McCabe             | 1,000                                  | -       | 1,000                                |
| Nishantha Lakshman Paranavitana  | -                                      | -       | -                                    |

### Indemnity and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

### Proceedings on behalf of the company

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

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

### Indemnity and insurance of auditor

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

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

### Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 29 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:

## Directors' report (continued)

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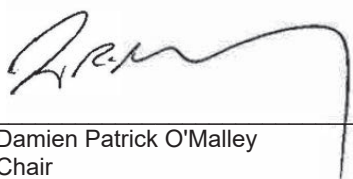
- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional 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



Damien Patrick O'Malley  
Chair

11 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 Barwon Heads Community Enterprise Limited

As lead auditor for the audit of Barwon Heads Community Enterprise 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: 11 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

## Barwon Heads Community Enterprise Limited Statement of profit or loss and other comprehensive income For the year ended 30 June 2023

|  | Note | 2023<br>\$           | 2022<br>\$           |
|--|------|----------------------|----------------------|
| Revenue from contracts with customers                                | 6    | 1,219,992            | 855,475              |
| Other revenue  | 7    | 60,546               | 27,244               |
| Finance revenue  |      | 365                  | 802                  |
| Fair value gains on financial assets                                 | 8    | 19,899               | -                    |
| Total revenue  |      | <u>1,300,802</u>     | <u>883,521</u>       |
| Employee benefits expense  | 10   | (528,714)            | (372,817)            |
| Advertising and marketing costs                                      |      | (16,513)             | (8,355)              |
| Occupancy and associated costs                                       |      | (24,745)             | (31,303)             |
| System costs   |      | (30,176)             | (30,991)             |
| Depreciation and amortisation expense                                | 10   | (118,784)            | (113,403)            |
| Loss on disposal of assets   |      | (33,521)             | -                    |
| Finance costs  | 10   | (17,069)             | (19,025)             |
| General administration expenses                                      |      | (102,410)            | (71,184)             |
| Fair value losses on financial assets                                | 9    | -                    | (53,707)             |
| Total expenses before community contributions and income tax expense |      | <u>(871,932)</u>     | <u>(700,785)</u>     |
| <b>Profit before community contributions and income tax expense</b>  |      | 428,870              | 182,736              |
| Charitable donations, sponsorships and grants expense                | 10   | <u>(383,469)</u>     | <u>(97,474)</u>      |
| <b>Profit before income tax expense</b>                              |      | 45,401               | 85,262               |
| Income tax expense   | 11   | <u>(24,690)</u>      | <u>(25,192)</u>      |
| <b>Profit after income tax expense for the year</b>                  | 23   | 20,711               | 60,070               |
| Other comprehensive income for the year, net of tax                  |      | <u>-</u>             | <u>-</u>             |
| <b>Total comprehensive income for the year</b>                       |      | <u><u>20,711</u></u> | <u><u>60,070</u></u> |
|  |      | <b>Cents</b>         | <b>Cents</b>         |
| Basic earnings per share   | 31   | 2.53                 | 7.35                 |
| Diluted earnings per share   | 31   | 2.53                 | 7.35                 |

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

## Financial statements (continued)

### Barwon Heads Community Enterprise Limited Statement of financial position As at 30 June 2023

|                                | Note | 2023<br>\$       | 2022<br>\$       |
|--------------------------------|------|------------------|------------------|
| <b>Assets</b>                  |      |                  |                  |
| <b>Current assets</b>          |      |                  |                  |
| Cash and cash equivalents      | 12   | 975,451          | 462,784          |
| Trade and other receivables    | 13   | 86,202           | 60,824           |
| Current tax assets             | 11   | 28,106           | -                |
| Total current assets           |      | <u>1,089,759</u> | <u>523,608</u>   |
| <b>Non-current assets</b>      |      |                  |                  |
| Financial assets               | 16   | -                | 546,099          |
| Investment properties          | 17   | 71,518           | 80,460           |
| Property, plant and equipment  | 14   | 219,119          | 55,701           |
| Right-of-use assets            | 15   | 269,666          | 295,259          |
| Intangible assets              | 18   | 63,179           | 89,035           |
| Deferred tax assets            | 11   | -                | 22,427           |
| Total non-current assets       |      | <u>623,482</u>   | <u>1,088,981</u> |
| <b>Total assets</b>            |      | <u>1,713,241</u> | <u>1,612,589</u> |
| <b>Liabilities</b>             |      |                  |                  |
| <b>Current liabilities</b>     |      |                  |                  |
| Trade and other payables       | 19   | 237,035          | 39,291           |
| Lease liabilities              | 20   | 85,051           | 72,314           |
| Current tax liabilities        | 11   | -                | 18,367           |
| Employee benefits              | 21   | 6,096            | 6,096            |
| Total current liabilities      |      | <u>328,182</u>   | <u>136,068</u>   |
| <b>Non-current liabilities</b> |      |                  |                  |
| Trade and other payables       | 19   | 29,263           | 43,894           |
| Lease liabilities              | 20   | 278,700          | 323,128          |
| Deferred tax liabilities       | 11   | 2,263            | -                |
| Employee benefits              | 21   | 2,003            | 230              |
| Lease make good provision      |      | 1,679            | 1,607            |
| Total non-current liabilities  |      | <u>313,908</u>   | <u>368,859</u>   |
| <b>Total liabilities</b>       |      | <u>642,090</u>   | <u>504,927</u>   |
| <b>Net assets</b>              |      | <u>1,071,151</u> | <u>1,107,662</u> |
| <b>Equity</b>                  |      |                  |                  |
| Issued capital                 | 22   | 789,491          | 789,491          |
| Retained earnings              | 23   | 281,660          | 318,171          |
| <b>Total equity</b>            |      | <u>1,071,151</u> | <u>1,107,662</u> |

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

## Financial statements (continued)

### Barwon Heads Community Enterprise Limited Statement of changes in equity For the year ended 30 June 2023

|  | Note | Issued<br>capital<br>\$ | Retained<br>earnings<br>\$ | Total<br>equity<br>\$ |
|--|------|-------------------------|----------------------------|-----------------------|
| <b>Balance at 1 July 2021</b>                                |      | 789,491                 | 315,323                    | 1,104,814             |
| Profit after income tax expense                              |      | -                       | 60,070                     | 60,070                |
| Other comprehensive income, net of tax                       |      | -                       | -                          | -                     |
| Total comprehensive income                                   |      | -                       | 60,070                     | 60,070                |
| <i>Transactions with owners in their capacity as owners:</i> |      |                         |                            |                       |
| Dividends provided for                                       | 25   | -                       | (57,222)                   | (57,222)              |
| <b>Balance at 30 June 2022</b>                               |      | <u>789,491</u>          | <u>318,171</u>             | <u>1,107,662</u>      |
| <br><b>Balance at 1 July 2022</b>                            |      | <br>789,491             | <br>318,171                | <br>1,107,662         |
| Profit after income tax expense                              |      | -                       | 20,711                     | 20,711                |
| Other comprehensive income, net of tax                       |      | -                       | -                          | -                     |
| Total comprehensive income                                   |      | -                       | 20,711                     | 20,711                |
| <i>Transactions with owners in their capacity as owners:</i> |      |                         |                            |                       |
| Dividends provided for                                       | 25   | -                       | (57,222)                   | (57,222)              |
| <b>Balance at 30 June 2023</b>                               |      | <u>789,491</u>          | <u>281,660</u>             | <u>1,071,151</u>      |

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

## Financial statements (continued)

### Barwon Heads Community Enterprise Limited Statement of cash flows For the year ended 30 June 2023

|  | Note | 2023<br>\$  | 2022<br>\$ |
|--|------|-------------|------------|
| <b>Cash flows from operating activities</b>                      |      |             |            |
| Receipts from customers (inclusive of GST)                       |      | 1,337,061   | 970,470    |
| Payments to suppliers and employees (inclusive of GST)           |      | (1,237,903) | (714,784)  |
| Dividends received   |      | 33,560      | 4,101      |
| Interest received  |      | 365         | 702        |
| Interest and other finance costs paid                            |      | (196)       | -          |
| Income taxes paid  |      | (46,473)    | (22,480)   |
| Net cash provided by operating activities                        | 30   | 86,414      | 238,009    |
| <b>Cash flows from investing activities</b>                      |      |             |            |
| Payments for financial assets                                    |      | -           | (600,000)  |
| Payments for property, plant and equipment                       |      | (2,179)     | (3,182)    |
| Payments for intangible assets                                   |      | (13,301)    | (12,700)   |
| Proceeds from disposal of financial assets                       |      | 592,567     | -          |
| Net cash provided by/(used in) investing activities              |      | 577,087     | (615,882)  |
| <b>Cash flows from financing activities</b>                      |      |             |            |
| Dividends paid   | 25   | (57,222)    | (57,222)   |
| Repayment of lease liabilities                                   | 20   | (93,612)    | (88,270)   |
| Net cash used in financing activities                            |      | (150,834)   | (145,492)  |
| Net increase/(decrease) in cash and cash equivalents             |      | 512,667     | (523,365)  |
| Cash and cash equivalents at the beginning of the financial year |      | 462,784     | 986,149    |
| Cash and cash equivalents at the end of the financial year       | 12   | 975,451     | 462,784    |

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

# Notes to the financial statements

## **Barwon Heads Community Enterprise Limited** **Notes to the financial statements** **30 June 2023**

### **Note 1. Reporting entity**

The financial statements cover Barwon Heads Community Enterprise 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 70 Hitchcock Avenue, Barwon Heads, VIC 3227.

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 11 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)

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### 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.

#### *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.

## Notes to the financial statements (continued)

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

#### *Lease term*

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

#### *Incremental borrowing rate*

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

#### *Employee benefits provision*

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

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

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

#### *Lease make good provision*

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

### **Note 5. Economic dependency**

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in June 2027.

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.

## Notes to the financial statements (continued)

### Note 5. Economic dependency (continued)

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

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

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

### Note 6. Revenue from contracts with customers

|                   | 2023<br>\$       | 2022<br>\$     |
|-------------------|------------------|----------------|
| Margin income     | 1,104,569        | 731,120        |
| Fee income        | 50,417           | 48,708         |
| Commission income | 65,006           | 75,647         |
|                   | <u>1,219,992</u> | <u>855,475</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:

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

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

#### *Revenue calculation*

The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates, interest rates and funds transfer pricing and other factors, such as economic and local conditions.



## Notes to the financial statements (continued)

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

#### *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 |
| <b>plus:</b>  | any deposit returns i.e. interest return applied by Bendigo Bank for a deposit  |
| <b>minus:</b> | any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.        |

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

#### *Commission 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.

### Note 7. Other revenue

|                                  | 2023<br>\$    | 2022<br>\$    |
|----------------------------------|---------------|---------------|
| Market development fund          | 4,167         | 2,500         |
| Dividend and distribution income | 34,960        | 4,101         |
| Rental income                    | 21,419        | 20,643        |
|                                  | <u>60,546</u> | <u>27,244</u> |

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

## Notes to the financial statements (continued)

### Note 7. Other revenue (continued)

| <u>Revenue stream</u>  | <u>Revenue recognition policy</u>  |
|--|--|
| Discretionary financial contributions (also "Market development fund" or "MDF" income) | MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.   |
| Dividend and distribution income   | Dividend and distribution income is recognised when the right to receive the payment is established.   |
| Rental income  | Rental income from right-of-use assets subleased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount. |

All revenue is stated net of the amount of GST.

### Note 8. Fair value gains on financial assets

|                                      | 2023<br>\$ | 2022<br>\$ |
|--------------------------------------|------------|------------|
| Fair value gains on financial assets | 19,899     | -          |

These amounts relate to the increase in the market value of financial assets held by the company

### Note 9. Fair value losses on financial assets

|                                       | 2023<br>\$ | 2022<br>\$ |
|---------------------------------------|------------|------------|
| Fair value losses on financial assets | -          | 53,707     |

These amounts relate to the decrease in the market value of financial assets held by the company.

### Note 10. Expenses

#### Employee benefits expense

|  | 2023<br>\$     | 2022<br>\$     |
|--|----------------|----------------|
| Wages and salaries                     | 428,157        | 324,237        |
| Superannuation contributions           | 49,243         | 35,239         |
| Expenses related to long service leave | 17,536         | (7,257)        |
| Other expenses                         | 33,778         | 20,598         |
|  | <u>528,714</u> | <u>372,817</u> |

## Notes to the financial statements (continued)

### Note 10. Expenses (continued)

#### Depreciation and amortisation expense

|  | 2023<br>\$     | 2022<br>\$     |
|--|----------------|----------------|
| <i>Depreciation of non-current assets</i>  |                |                |
| Leasehold improvements                     | 12,244         | 12,775         |
| Plant and equipment                        | 1,026          | 639            |
|  | <u>13,270</u>  | <u>13,414</u>  |
| <i>Depreciation of right-of-use assets</i> |                |                |
| Leased land and buildings                  | 64,825         | 57,332         |
| Investment property                        | 14,833         | 17,571         |
|  | <u>79,658</u>  | <u>74,903</u>  |
| <i>Amortisation of intangible assets</i>   |                |                |
| Franchise fee                              | 2,195          | 1,262          |
| Franchise renewal fee                      | 10,978         | 11,141         |
| Domiciled customer accounts                | 12,683         | 12,683         |
|  | <u>25,856</u>  | <u>25,086</u>  |
|  | <u>118,784</u> | <u>113,403</u> |

#### Finance costs

|                                  | 2023<br>\$    | 2022<br>\$    |
|----------------------------------|---------------|---------------|
| Lease interest expense           | 16,800        | 18,956        |
| Unwinding of make-good provision | 72            | 69            |
| Other                            | 197           | -             |
|                                  | <u>17,069</u> | <u>19,025</u> |

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

#### Leases recognition exemption

|                                       | 2023<br>\$    | 2022<br>\$    |
|---------------------------------------|---------------|---------------|
| Expenses relating to low-value leases | <u>12,663</u> | <u>13,570</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* accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

#### Charitable donations, sponsorships and grants expense

|  | 2023<br>\$     | 2022<br>\$    |
|--|----------------|---------------|
| Direct donation, sponsorship and grant payments      | 67,680         | 97,474        |
| Contribution to the Community Enterprise Foundation™ | 315,789        | -             |
|  | <u>383,469</u> | <u>97,474</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).

## Notes to the financial statements (continued)

### Note 10. Expenses (continued)

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 11. Income tax

|   | 2023<br>\$     | 2022<br>\$    |
|---|----------------|---------------|
| <i>Income tax expense</i>                             |                |               |
| Current tax   | 26,991         | 36,742        |
| Movement in deferred tax                              | (10,753)       | (11,550)      |
| Deferred tax on capital loss not recognised           | 8,452          | -             |
| Aggregate income tax expense                          | <u>24,690</u>  | <u>25,192</u> |
| <i>Prima facie income tax reconciliation</i>          |                |               |
| Profit before income tax expense                      | <u>45,401</u>  | <u>85,262</u> |
| Tax at the statutory tax rate of 25%                  | 11,350         | 21,316        |
| Tax effect of:  |                |               |
| Non-deductible expenses                               | <u>4,888</u>   | <u>3,876</u>  |
|   | 16,238         | 25,192        |
| Current year temporary differences not recognised     | <u>8,452</u>   | <u>-</u>      |
| Income tax expense                                    | <u>24,690</u>  | <u>25,192</u> |
|   | 2023<br>\$     | 2022<br>\$    |
| <i>Deferred tax assets/(liabilities)</i>              |                |               |
| Carried-forward tax losses                            | 10,753         | -             |
| Property, plant and equipment                         | (21,077)       | 2,112         |
| Employee benefits                                     | 2,025          | 1,582         |
| Lease liabilities                                     | 90,938         | 98,860        |
| Provision for lease make good                         | 420            | 402           |
| Accrued expenses                                      | (26)           | (26)          |
| Right-of-use assets                                   | (85,296)       | (93,930)      |
| Financial assets at fair value through profit or loss | -              | 13,427        |
| Deferred tax asset/(liability)                        | <u>(2,263)</u> | <u>22,427</u> |
|   | 2023<br>\$     | 2022<br>\$    |
| Income tax refund due                                 | <u>28,106</u>  | <u>-</u>      |
|   | 2023<br>\$     | 2022<br>\$    |
| Provision for income tax                              | <u>-</u>       | <u>18,367</u> |

## Notes to the financial statements (continued)

### Note 11. Income tax (continued)

#### *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 12. Cash and cash equivalents

|                          | 2023<br>\$     | 2022<br>\$     |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | 532,143        | 176,437        |
| Term deposits            | 24,953         | 56,754         |
| Sandhurst Select 90 Fund | 418,355        | 229,593        |
|                          | <u>975,451</u> | <u>462,784</u> |

#### *Accounting policy for cash and cash equivalents*

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

### Note 13. Trade and other receivables

|                   | 2023<br>\$    | 2022<br>\$    |
|-------------------|---------------|---------------|
| Trade receivables | 81,901        | 54,048        |
| Other receivables | -             | 2,136         |
| Accrued income    | 100           | 100           |
| Prepayments       | 4,201         | 4,540         |
|                   | <u>4,301</u>  | <u>6,776</u>  |
|                   | <u>86,202</u> | <u>60,824</u> |

## Notes to the financial statements (continued)

### Note 13. Trade and other receivables (continued)

#### *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 14. Property, plant and equipment

|                                  | 2023<br>\$     | 2022<br>\$    |
|----------------------------------|----------------|---------------|
| Leasehold improvements - at cost | 231,178        | 147,561       |
| Less: Accumulated depreciation   | (43,718)       | (99,238)      |
|                                  | <u>187,460</u> | <u>48,323</u> |
| Plant and equipment - at cost    | 53,875         | 41,250        |
| Less: Accumulated depreciation   | (22,216)       | (33,872)      |
|                                  | <u>31,659</u>  | <u>7,378</u>  |
|                                  | <u>219,119</u> | <u>55,701</u> |

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

|                         | Leasehold<br>improvements<br>\$ | Plant and<br>equipment<br>\$ | Total<br>\$    |
|-------------------------|---------------------------------|------------------------------|----------------|
| Balance at 1 July 2021  | 57,916                          | 8,017                        | 65,933         |
| Additions               | 3,182                           | -                            | 3,182          |
| Depreciation            | (12,775)                        | (639)                        | (13,414)       |
| Balance at 30 June 2022 | 48,323                          | 7,378                        | 55,701         |
| Additions               | 183,953                         | 26,168                       | 210,121        |
| Disposals               | (32,572)                        | (861)                        | (33,433)       |
| Depreciation            | (12,244)                        | (1,026)                      | (13,270)       |
| Balance at 30 June 2023 | <u>187,460</u>                  | <u>31,659</u>                | <u>219,119</u> |

#### *Additions*

During the financial year the company completed a re-fit at the Barwon Heads branch.

#### *Accounting policy for property, plant and equipment*

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

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

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

|                        |               |
|------------------------|---------------|
| Leasehold improvements | 5 to 10 years |
| Plant and equipment    | 1 to 40 years |

## Notes to the financial statements (continued)

### Note 14. Property, plant and equipment (continued)

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 15. Right-of-use assets

|                                   | 2023<br>\$       | 2022<br>\$       |
|-----------------------------------|------------------|------------------|
| Land and buildings - right-of-use | 575,092          | 485,920          |
| Less: Accumulated depreciation    | <u>(305,426)</u> | <u>(190,661)</u> |
|                                   | <u>269,666</u>   | <u>295,259</u>   |

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

|                           | Land and<br>buildings<br>\$ |
|---------------------------|-----------------------------|
| Balance at 1 July 2021    | 417,324                     |
| Remeasurement adjustments | (64,733)                    |
| Depreciation expense      | <u>(57,332)</u>             |
| Balance at 30 June 2022   | 295,259                     |
| Remeasurement adjustments | 39,232                      |
| Depreciation expense      | <u>(64,825)</u>             |
| Balance at 30 June 2023   | <u>269,666</u>              |

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

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

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

Refer to note 20 for more information on lease arrangements.

## Notes to the financial statements (continued)

### Note 16. Financial assets

|   | 2023<br>\$ | 2022<br>\$ |
|---|------------|------------|
| Equity securities - designated at fair value through profit or loss | -          | 546,099    |

#### Reconciliation

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

|                         |           |          |
|-------------------------|-----------|----------|
| Opening carrying amount | 546,099   | -        |
| Additions               | -         | 600,000  |
| Expenses paid           | (1,629)   | (4,295)  |
| Revaluation increments  | 19,899    | -        |
| Revaluation decrements  | -         | (53,707) |
| Income reinvested       | 28,198    | 4,101    |
| Disposals               | (592,567) | -        |
| Closing carrying amount | -         | 546,099  |

#### Accounting policy for financial assets

Financial assets are recognised at their market value. Financial assets are derecognised when the rights to receive cash flows have been transferred and the company has transferred substantially all the risks and rewards of ownership.

#### Disposals

During the current financial year the company sold its IOOF investment portfolio.

### Note 17. Investment properties

|  | 2023<br>\$ | 2022<br>\$ |
|--|------------|------------|
| Investment property - sublease - at cost | 86,350     | 130,400    |
| Less: Accumulated depreciation           | (14,832)   | (49,940)   |
|  | 71,518     | 80,460     |

#### Reconciliation

Reconciliation of the beginning and end of the current and previous financial year are set out below:

|                           |          |          |
|---------------------------|----------|----------|
| Opening balance           | 80,460   | 16,185   |
| Remeasurement adjustments | 5,891    | 81,846   |
| Depreciation expense      | (14,833) | (17,571) |
| Closing amount            | 71,518   | 80,460   |

The operating sublease is a five year lease which commenced June 2022.

#### Accounting policy for investment properties - sublease

The company subleases some of its property. The company initially measures the head lease in accordance with the accounting policies in note 20 'Lease liabilities' and note 15 'Right-of-use assets' before separately identifying the sublease portion under AASB 140: *Investment property*. The investment property is initially measured at cost under AASB 16: *leases* and subsequently measured at cost less accumulated depreciation under AASB 140: *investment properties*. The separately identifiable portion is calculated based on the sublease term and size of subleased area as a percentage of the head lease term and area.



## Notes to the financial statements (continued)

### Note 17. Investment properties (continued)

During the sublease term the company recognises sublease income in other revenue when earned. Depreciation on the right-of-use asset and interest on the lease liability is recognised under the head lease. The company recognises the sublease portion of the right-of-use asset within investment property.

### Note 18. Intangible assets

|                                | 2023<br>\$           | 2022<br>\$           |
|--------------------------------|----------------------|----------------------|
| Domiciled customer accounts    | 63,415               | 63,415               |
| Less: Accumulated amortisation | (50,732)             | (38,049)             |
|                                | <u>12,683</u>        | <u>25,366</u>        |
| Franchise fee                  | 32,169               | 32,169               |
| Less: Accumulated amortisation | (23,753)             | (21,558)             |
|                                | <u>8,416</u>         | <u>10,611</u>        |
| Franchise renewal fee          | 110,848              | 110,848              |
| Less: Accumulated amortisation | (68,768)             | (57,790)             |
|                                | <u>42,080</u>        | <u>53,058</u>        |
|                                | <u><u>63,179</u></u> | <u><u>89,035</u></u> |

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

|                         | Domiciled<br>customer<br>accounts<br>\$ | Franchise fee<br>\$ | Franchise<br>renewal fee<br>\$ | Total<br>\$          |
|-------------------------|---|---------------------|--------------------------------|----------------------|
| Balance at 1 July 2021  | 38,049                                  | 896                 | 9,312                          | 48,257               |
| Additions               | -                                       | 10,977              | 54,887                         | 65,864               |
| Amortisation expense    | (12,683)                                | (1,262)             | (11,141)                       | (25,086)             |
| Balance at 30 June 2022 | 25,366                                  | 10,611              | 53,058                         | 89,035               |
| Amortisation expense    | (12,683)                                | (2,195)             | (10,978)                       | (25,856)             |
| Balance at 30 June 2023 | <u><u>12,683</u></u>                    | <u><u>8,416</u></u> | <u><u>42,080</u></u>           | <u><u>63,179</u></u> |

#### Accounting policy for intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise. The company has also acquired a customer list from Bendigo Bank.

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 and domiciled customer accounts acquired are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

## Notes to the financial statements (continued)

### Note 18. Intangible assets (continued)

Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having a 5 year useful life. 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:

| <u>Asset class</u>          | <u>Method</u> | <u>Useful life</u>                | <u>Expiry/renewal date</u> |
|-----------------------------|---------------|-----------------------------------|----------------------------|
| Domiciled customer accounts | Straight-line | 5 years                           | June 2024                  |
| Franchise fee               | Straight-line | Over the franchise term (5 years) | May 2027                   |
| Franchise renewal fee       | Straight-line | Over the franchise term (5 years) | May 2027                   |

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

#### *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 19. Trade and other payables

|                                | 2023<br>\$ | 2022<br>\$ |
|--------------------------------|------------|------------|
| <i>Current liabilities</i>     |            |            |
| Other payables and accruals    | 237,035    | 39,291     |
| <i>Non-current liabilities</i> |            |            |
| Other payables and accruals    | 29,263     | 43,894     |

#### *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.

#### *Other payables and accruals*

The increase from the prior year is mostly due to branch fit out works being owed at 30 June 2023.

### Note 20. Lease liabilities

|                                      | 2023<br>\$ | 2022<br>\$ |
|--------------------------------------|------------|------------|
| <i>Current liabilities</i>           |            |            |
| Land and buildings lease liabilities | 99,322     | 88,230     |
| Unexpired interest                   | (14,271)   | (15,916)   |
|                                      | 85,051     | 72,314     |
| <i>Non-current liabilities</i>       |            |            |
| Land and buildings lease liabilities | 297,967    | 352,920    |
| Unexpired interest                   | (19,267)   | (29,792)   |
|                                      | 278,700    | 323,128    |

## Notes to the financial statements (continued)

### Note 20. Lease liabilities (continued)

#### Reconciliation of lease liabilities

|                                     | 2023<br>\$     | 2022<br>\$     |
|-------------------------------------|----------------|----------------|
| Opening balance                     | 395,442        | 447,643        |
| Remeasurement adjustments           | 45,121         | 17,113         |
| Lease interest expense              | 16,800         | 18,956         |
| Lease payments - total cash outflow | (93,612)       | (88,270)       |
|                                     | <u>363,751</u> | <u>395,442</u> |

#### Maturity analysis

|                               | 2023<br>\$     | 2022<br>\$     |
|-------------------------------|----------------|----------------|
| Not later than 12 months      | 99,322         | 88,230         |
| Between 12 months and 5 years | 297,967        | 352,920        |
|                               | <u>397,289</u> | <u>441,150</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 variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

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

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

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

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the 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 available | Reasonably certain to exercise options | Lease term end date used in calculations |
|---------------------|---------------|----------------------|---------------------------|--|--|
| Barwon Heads Branch | 4.39%         | 7 years              | 3 x 5 years               | No                                     | June 2027                                |

## Notes to the financial statements (continued)

### Note 21. Employee benefits

|                                | 2023<br>\$   | 2022<br>\$   |
|--------------------------------|--------------|--------------|
| <i>Current liabilities</i>     |              |              |
| Annual leave                   | <u>6,096</u> | <u>6,096</u> |
| <i>Non-current liabilities</i> |              |              |
| Long service leave             | <u>2,003</u> | <u>230</u>   |

#### *Accounting policy for employee benefits*

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

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

#### *Superannuation contributions*

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

#### *Short-term employee benefits*

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

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

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

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

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

### Note 22. Issued capital

|                              | 2023<br>Shares | 2022<br>Shares | 2023<br>\$      | 2022<br>\$      |
|------------------------------|----------------|----------------|-----------------|-----------------|
| Ordinary shares - fully paid | 817,464        | 817,464        | 817,464         | 817,464         |
| Less: Equity raising costs   | <u>-</u>       | <u>-</u>       | <u>(27,973)</u> | <u>(27,973)</u> |
|                              | <u>817,464</u> | <u>817,464</u> | <u>789,491</u>  | <u>789,491</u>  |

#### *Accounting policy for issued capital*

Ordinary shares are recognised at the fair value of the consideration received by the company being \$1 per share. 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*

## Notes to the financial statements (continued)

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### **Note 22. Issued capital (continued)**

#### *Ordinary shares*

##### Voting rights

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

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

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

##### Dividends

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

##### Transfer

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

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

##### *Prohibited shareholding interest*

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

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

- 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 241. As at the date of this report, the company had 369 shareholders (2022: 265 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.

## Notes to the financial statements (continued)

### Note 22. Issued capital (continued)

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 23. Retained earnings

|  | 2023<br>\$     | 2022<br>\$     |
|--|----------------|----------------|
| Retained earnings at the beginning of the financial year | 318,171        | 315,323        |
| Profit after income tax expense for the year             | 20,711         | 60,070         |
| Dividends paid (note 25)                                 | (57,222)       | (57,222)       |
| Retained earnings at the end of the financial year       | <u>281,660</u> | <u>318,171</u> |

### Note 24. 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 25. Dividends

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<br>\$    | 2022<br>\$    |
|---|---------------|---------------|
| Fully franked dividend of 7 cents per share (2022: 7 cents) | <u>57,222</u> | <u>57,222</u> |

## Notes to the financial statements (continued)

### Note 25. Dividends (continued)

#### Franking credits

|  | 2023<br>\$     | 2022<br>\$     |
|--|----------------|----------------|
| Franking account balance at the beginning of the financial year                    | 162,311        | 158,904        |
| Franking credits (debits) arising from income taxes paid (refunded)                | 46,473         | 22,481         |
| Franking debits from the payment of franked distributions                          | (19,074)       | (19,074)       |
|  | <u>189,710</u> | <u>162,311</u> |
| <i>Franking transactions that will arise subsequent to the financial year end:</i> |                |                |
| Balance at the end of the financial year   | 189,710        | 162,311        |
| Franking credits (debits) that will arise from payment (refund) of income tax      | (28,106)       | 18,367         |
| Franking credits available for future reporting periods                            | <u>161,604</u> | <u>180,678</u> |

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 26. Financial instruments

|                              | 2023<br>\$       | 2022<br>\$       |
|------------------------------|------------------|------------------|
| <b>Financial assets</b>      |                  |                  |
| Trade and other receivables  | 82,001           | 54,148           |
| Cash and cash equivalents    | 975,451          | 462,784          |
| Financial assets             | -                | 546,099          |
|                              | <u>1,057,452</u> | <u>1,063,031</u> |
| <b>Financial liabilities</b> |                  |                  |
| Trade and other payables     | 266,298          | 83,185           |
| Lease liabilities            | 363,751          | 395,442          |
|                              | <u>630,049</u>   | <u>478,627</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, lease liabilities and equity securities.

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, except for the equity securities which remain at fair value through profit or loss (FVTPL).

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.

# Notes to the financial statements (continued)

## Note 26. Financial instruments (continued)

### 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 \$975,451 at 30 June 2023 (2022: \$462,784).

### Equity Price risk

The company is not exposed to any significant 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<br>\$ | Between 1<br>and 5 years<br>\$ | Over 5 years<br>\$ | Remaining<br>contractual<br>maturities<br>\$ |
|--------------------------|----------------------|--------------------------------|--------------------|--|
| <b>2023</b>              |                      |                                |                    |  |
| Trade and other payables | 237,035              | 29,263                         | -                  | 266,298                                      |
| Lease liabilities        | 99,322               | 297,967                        | -                  | 397,289                                      |
| Total non-derivatives    | 336,357              | 327,230                        | -                  | 663,587                                      |
|                          |                      |                                |                    |  |
|                          | 1 year or less<br>\$ | Between 1<br>and 5 years<br>\$ | Over 5 years<br>\$ | Remaining<br>contractual<br>maturities<br>\$ |
| <b>2022</b>              |                      |                                |                    |  |
| Trade and other payables | 39,291               | 43,894                         | -                  | 83,185                                       |
| Lease liabilities        | 88,230               | 352,920                        | -                  | 441,150                                      |
| Total non-derivatives    | 127,521              | 396,814                        | -                  | 524,335                                      |



## Notes to the financial statements (continued)

### Note 27. Key management personnel disclosures

The following persons were directors of Barwon Heads Community Enterprise Limited during the financial year and/or up to the date of signing of these Financial Statements

Damien Patrick O'Malley  
Alexander Gordon Scott Gemmell  
Anthony James Gurry  
David Ian Patrick  
Phoebe Gillian Chirnside  
Martin Clarke Sinnett  
Jessie Louise Christiaans  
Pamela Jean Morrison

Lisa Nicole Hinds  
Lauren Rosamond O'Loughlin  
Christine Mary McDonald  
Ross Kenneth Walter  
Alastair Robert Lawrence Thomson  
Madeline Bent  
Edmund Jepson McCabe  
Nishantha Lakshman Paranavitana

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

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

### Note 28. Related party transactions

There were no transactions with related parties during the current and previous financial year.

### Note 29. 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<br>\$ | 2022<br>\$ |
|---|------------|------------|
| <i>Audit services</i>                       |            |            |
| Audit or review of the financial statements | 5,400      | 5,200      |
| <br>  |            |            |
| Taxation advice and tax compliance services | 750        | 600        |
| General advisory services                   | 5,305      | 3,185      |
| Share registry services                     | 4,131      | 3,806      |
|   | 10,186     | 7,591      |
|   | 15,586     | 12,791     |

## Notes to the financial statements (continued)

### Note 30. Reconciliation of profit after income tax to net cash provided by operating activities

|  | 2023<br>\$    | 2022<br>\$     |
|--|---------------|----------------|
| Profit after income tax expense for the year                   | 20,711        | 60,070         |
| Adjustments for:   |               |                |
| Depreciation and amortisation                                  | 118,783       | 113,403        |
| Net loss on disposal of non-current assets                     | 13,534        | -              |
| (Profit)/loss on financial assets at FVTPL                     | -             | 53,707         |
| Net effect of (income)/expenses paid through equity securities | -             | 194            |
| Lease liabilities interest                                     | 16,801        | 18,956         |
| Change in operating assets and liabilities:                    |               |                |
| Increase in trade and other receivables                        | (25,378)      | (980)          |
| Increase in income tax refund due                              | (28,106)      | -              |
| Decrease/(increase) in deferred tax assets                     | 22,427        | (11,549)       |
| Increase/(decrease) in trade and other payables                | (38,099)      | 11,049         |
| Increase/(decrease) in provision for income tax                | (18,367)      | 14,261         |
| Increase in deferred tax liabilities                           | 2,263         | -              |
| Increase/(decrease) in employee benefits                       | 1,773         | (21,171)       |
| Increase in other provisions                                   | 72            | 69             |
| Net cash provided by operating activities                      | <u>86,414</u> | <u>238,009</u> |

### Note 31. Earnings per share

|   | 2023<br>\$     | 2022<br>\$     |
|---|----------------|----------------|
| Profit after income tax   | <u>20,711</u>  | <u>60,070</u>  |
|   | <b>Number</b>  | <b>Number</b>  |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>817,464</u> | <u>817,464</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>817,464</u> | <u>817,464</u> |
|   | <b>Cents</b>   | <b>Cents</b>   |
| Basic earnings per share  | 2.53           | 7.35           |
| Diluted earnings per share  | 2.53           | 7.35           |

#### Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Barwon Heads Community Enterprise Limited, by the weighted average number of ordinary shares outstanding during the financial year.

### Note 32. Commitments

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

### Note 33. Contingencies

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

### Note 34. Events after the reporting period

No 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.

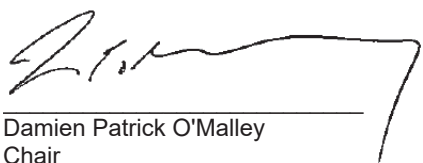
# Directors' declaration

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



Damien Patrick O'Malley  
Chair

11 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 Barwon Heads Community Enterprise Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Barwon Heads Community Enterprise 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 Barwon Heads Community Enterprise 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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Liability limited by a scheme approved under Professional Standards Legislation.



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## 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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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: 11 September 2023

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

**Joshua Griffin**  
Lead Auditor

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/BarwonHeadsCommunityBankBranch



/bendigocb\_barwon\_heads

