

Sanctuary Point & Districts Community Bank® Branch



annual report 2019



Bay & Basin Community
Financial Services Limited
ABN 62 105 756 063

Sanctuary Point & Districts Community Bank® Branch

annual report 2019

Chair's report	2	Notes to the financial statements	17
Governance and Audit Committee report	4	Note 1. Summary of Significant Accounting Policies	17
Manager's report	6	Note 2. Financial Risk Management	22
Sponsorships/grant allocations	8	Note 3. Critical Accounting Estimates and Judgements	23
		Note 4. Revenue from Ordinary Activities	24
		Note 5. Expenses	24
		Note 6. Income Tax Expense	25
Financial statements as at 30 June 2019		Note 7. Cash and Cash Equivalents	25
Directors' report	9	Note 8. Trade and Other Receivables	25
Auditor's independence declaration	13	Note 9. Property, Plant and Equipment	26
Statement of Profit or Loss and Other Comprehensive Income	14	Note 10. Intangible Assets	27
Balance sheet	15	Note 11. Tax	27
Statement of changes in equity	16	Note 12. Trade and Other Payables	28
Statement of cashflows	16	Note 13. Provisions	28
Directors' declaration	34	Note 14. Issued Capital	28
Independent auditor's report	35	Note 15. Accumulated Losses	30
		Note 16. Statement of Cashflows	30
		Note 17. Leases	30
		Note 18. Auditors' Remuneration	31
		Note 19. Director and Related Party Disclosures	31
		Note 20. Dividends Provided for or Paid	32
		Note 21. Key Management Personnel Disclosures	32
		Note 22. Earnings Per Share	32
		Note 23. Events Occurring After the Reporting Date	32
		Note 24. Contingent Liabilities and Contingent Assets	32
		Note 25. Segment Reporting	33
		Note 26. Registered Office/Principal Place of Business	33
		Note 27. Financial Instruments	33

chair's report



INTRODUCTION

I am pleased to once again present this report on matters related to Bay & Basin Community Financial Services Limited (BBCFSL) and its performance for the year ended 30th June, 2019 – to our shareholders, my fellow Board members and our partners.

CORPORATE AFFAIRS

As you are aware, Bendigo emerged virtually unscathed from the Royal Commission into the financial sector and we closely followed the recommendations of the Sedgwick Report. I am not certain that all members of the financial sector have learned much from the Royal Commission, but be sure that Bendigo was able to keep doing our business in the manner in which that has been conducted ever since the idea of the **Community Bank®** came about in Bendigo.

SHAREHOLDER'S DIVIDENDS

It is evident in our ability to again approve the payment of a fully franked dividend of 5 cents per Fully Paid \$1.00 share at the Board meeting held on 24th June 2019, that we have continued to grow and prosper and to provide this dividend to our shareholders.

I would like to again acknowledge the good work done by our Treasurer, Lori Hambridge ably assisted by the Deputy Chair.

THE BRANCH

Our Branch continues to play a vital role in the community, working with the Bendigo Bank to ensure a continuation of service to our customers, new and current. The recent closure of the Sanctuary Point Branch of the Commonwealth Bank has seen an upsurge of former customers moving over to Bendigo.

This is good for our Branch but consider it a retrograde step for the community. Competition is good for everybody and provides a healthy business environment.

I acknowledge the excellent work of our staff who attend various community activities showing the public face of the Bank. I am sorry to report that we will not in the near future be taking on more trainees as while this was extremely successful in the past, currently the commitment we seek is not present. Our school based trainee completed her time with us, went from a very shy, quiet young woman to a confident and capable one who has been able to secure permanent employment which speaks volumes for the quality of the training provided.

As always I commend the qualities of our Branch Manager and Customer Relations Manager. Their commitment to the Branch and the Board is exemplary. We took the decision this year to appoint Keith Robinson, Branch Manager to the position of Executive Director. This is common practice and he brings much to the Board.

We have been able to participate in a pilot digital banking program thanks to the excellent work by Col Poulter, Director and member of the Governance Committee. This program has been very well received by many of us. I used it while overseas and it worked very well. We trust this pilot will continue as a resource we will be able to offer.

BOARD MEMBERSHIP

While we have lost Ian MacKelden due to ill health and Anne Stonham due to family circumstances, we hope to be able to utilise Anne's skills in Human Resources as a consultant when the need arises. She is an incredibly skilled person and one I admire. We have been able to recruit Col Poulter as a Director. Col brings a wealth of experience in Boards nationally and internationally and is therefore well placed to be on the Governance Committee. His assistance during a difficult time has been immeasurable.

Lexie McDonald continues as our Junior Observer and participates so well in Board debate and decisions. She has also set up her own small business and makes marvellous and decorative cakes for all manner of occasions which included our 15th birthday party.

We have been able to recruit Mary Jean Lewis from Ardent Lawyers to our Board. I am delighted that Mary has accepted the invitation to join us. She brings energy, youth and skills and will be a welcome addition.

The Shoalhaven Cluster continues to work extremely well despite our parent bank making attempts to having us merge with other branches. Our view is that a system which works cooperatively does not need change and the NSW Branch Manager assured us of this.

We are also looking at Governance Training for the Board, As legislation changes it is important that we are up to date with those changes.

COMMUNITY SUPPORT

The local business forum continues to grow with new businesses attending the regular functions and they celebrated their 1st birthday recently, with a wonderful cake prepared and decorated by our Lexie McDonald.

That group worked with Sanctuary Point Community Pride to prepare a submission to the NSW Generations Fund to revitalise Sanctuary Point shopping centre. The submission was successful but required a lot of work by all concerned. I acknowledge the work done by Mary Jean and the team.

Vincentia High School lost their Principal and at the time of writing, we have not been able to secure a meeting with the new Principal. We have always had a sound relationship with the school and hope to be able to continue with the new Principal.

We will hold another Community Forum later this year with Collin Brady from Bendigo Bank acting as our facilitator. Collin acted in this role previously and is a very capable communicator. Invitations will be sent in the near future to community groups, schools, council, and the club. There will be publicity about this in the near future so watch the About.

COMMUNITY MAGAZINE

The About magazine continues to advise the community on activities, provide advertising space for the various tradespeople and providers of services. Peter Spencer and Michelle Graham continue in their very busy roles of producing this wonderful magazine. Lori Hambridge, our Treasurer, takes care of the financial aspects and the collaborative work is rewarding. I am constantly reminded by members of the community how valuable and reliable this magazine is. Through the articles by John Blackmore, Sanctuary Point Community Pride was able to learn just who Francis Ryan was and then work with Council and the Ryan family of medical people, to prepare and erect a plaque to commemorate the late Francis Ryan – the father of amalgamation of the various small shires which ultimately made up Shoalhaven City Council.

GOVERNANCE

We have continued to observe all aspects of the various regulations under which we operate. Geoffrey Ellison, Deputy Chair, Col Poulter, Director along with Keith Robinson, Company Secretary and Lori Hambridge, Treasurer. It may seem as if a lot of people are required to carry out these tasks, but we are a Bank and must comply with an ever changing world. Geoffrey also has charge of shareholders issues and is a constant support for all aspects of the Bank.

CONCLUSION:

I would like to thank all of our Directors, our Treasurer, our Junior Observer, our Branch Manager, Customer Relations Manager, our staff and of course our partners, both in the community and BEN. Our Directors give of their time and skills with generosity and skills. I could not function in this role without their support.



Veronica Husted
Chairperson

governance & audit committee report



OPERATING AND FINANCIAL REVIEW

Pursuant to a Regulatory Guide 247, Effective Disclosure in an operating and financial review, issued by The Australian Securities & Investments Commission (ASIC).

INTRODUCTION

During this financial year ended 30 June 2019 your Directors have been predominantly occupied with negotiations with Bendigo and Adelaide Bank Limited (BEN) to renew the Franchise Agreement between BEN and Bay and Basin Community Financial Services Limited (BBCFSL) after 15 years, as well as guiding your company to another financially successful year.

SNAPSHOT OF FINANCIAL RESULTS

During the financial year ended 30 June 2019 your company:

- Earned a Net Profit before Taxation of \$107,512 (2018 \$112,851).
- Produced a Cash surplus from its core Banking business of \$158,879 (2018 \$152,038).
- Supported the Bay & Basin community with \$59,954 (2018 \$54,391) including donation to the Community Enterprise Foundation \$30,000 (2018 \$40,000).
- Incurred a one of cost associated with the new 5 year Franchise Agreement of (\$14,865)

COST OF FUNDS

BEN's Funds Transfer Pricing (FTP) became effective from April 2019 concurrent with the new Franchise Agreement, at an estimated cost of \$3,000 to \$3,300 per month. This erosion of Net profit will be analysed in detail by your board in the half yearly audited financial statements.

BEN stated at the recent State and Regional Conference they aim to reduce costs to 50% of revenue. BEN must be prudent to ensure the highest possible rating by the three rating agencies. Along with other actions, BEN will no doubt monitor what other income can be transferred to them from the Community Bank sector, and what cost transfers can be implemented in their favour. Examples of this process during this year include:

- FTP as above
- The withdrawal of dishonour fee income from branches
- Sale of the Financial Planning Division and subsequent loss of related revenue by branches
- Cost shifting to branches, such as printing of stationery, etc.
- Online Home Loans, retained by Head Office.

NEW FRANCHISE AGREEMENT

BBCFSL believes its decision not to take up the incentive to enter into a new franchise agreement was vindicated by the profit from the increased business through the 2018-2019 financial year.

When BBCFSL entered into negotiations with BEN on the new Franchise Agreement, the chief contentious item was their

insistence that directors sign a Deed Poll accepting personal liability for operational matters that went much further than required in other companies. Following robust discussion and receipt of legal advice supporting our stand, BEN accepted the deletion of the contentious clause. We repeat that BBCFSL now has no negotiation rights, but must accept changes in cost shifting and revenue reductions as imposed by BEN.

STRATEGIC PLANNING

A new Strategic Plan was adopted this year. The board reviews strategic actions at each board meeting. The branch in consultation with BEN also developed an annual Business Plan to facilitate the Budget predictions.

The plan focused on increasing the "book" (loans and deposits) and on appropriate staffing levels. Achievement of the plan is reliant in part on BEN successfully implementing its current restructure, and finding a Regional Manager for our area. We have been without a Regional Manager since April 2019. A Business Loan Manager for our area has just been appointed.

RISK MANAGEMENT

BBCFSL reviewed its Risk Management Plan during the year and the following matters have been identified as having potential to adversely affect profitability:

- Poor support from BEN due to their reorganisation and subsequent vacancies in the Community Bank support structure – we still have no Regional Manager
- Lack of Business Banking support by BEN for some years – a new Business Banking Manager just appointed
- Poor back office support particularly in payroll matters with potential reputational risk
- The need to identify new revenue streams
- Ensure BEN embraces developments in digital banking and passes these on to the Community Banking sector with fair and reasonable revenue sharing

The Australian Securities and Investment Commission (ASIC) recommends that financial institutions include climate change related risks to future earnings in financial statements. BEN advised that this was the subject of current investigation and referred us to our Auditor. The Auditor advised there was no material risk at this time.

SALE OF SHAREHOLDING

To date shareholders have received 55 cents per \$1.00 share in franked and unfranked dividends.

Your Board remains very concerned that you are virtually "locked in", being unable to sell shares through our ASIC approved Low Volume Market (LVM) internet market for unlisted Public Companies. Some shareholders have:

- Sold their shares to family members.
- Deceased estates have transmitted shares to family members in accordance with the provisions of a will and

- One shareholder has gifted shares to a Registered Charitable Organisation that holds a Donation Gift Recipient (DGR) authority pursuant to the Income Tax Assessment Act, and so gained a tax benefit. Shareholders should seek independent professional advice if they wish to explore this possibility.

In the short term it seems that there is little that BBCFSL can do to ease this position. BEN is aware of our concern but cannot offer any assistance other some advertising material that promotes the LVM. We acknowledge that some Community Banks do have a market.

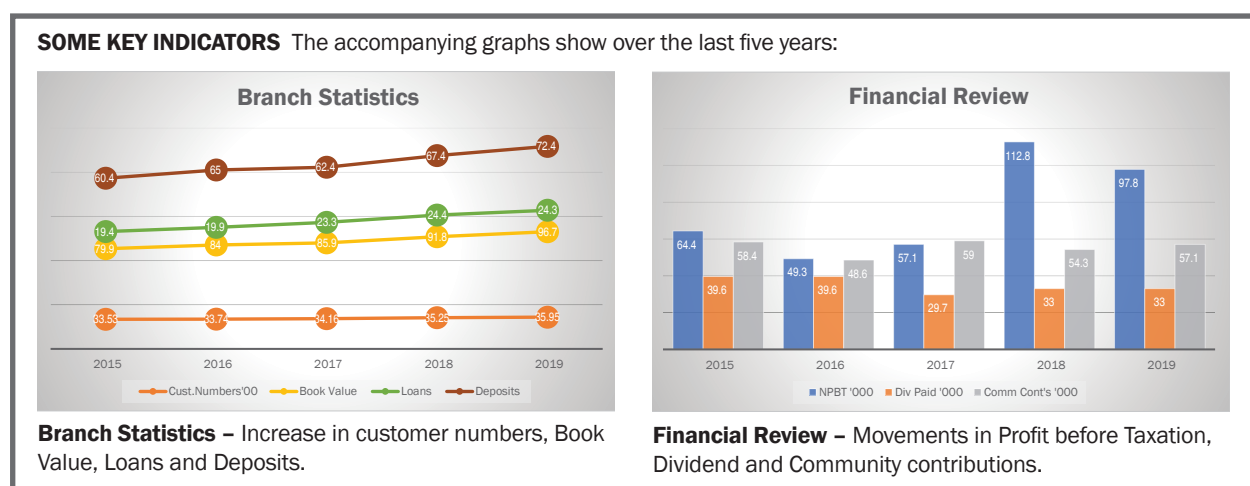
In the medium term the following, but remote, events might see an easing of this unsatisfactory situation:

- A change in the corporate structure following a BEN restructure

- A merger or acquisition by BBCFSL that resulted in a larger business base producing increased profitability and asset backing
- A merger of Community Banks in our region and listing on a Secondary Exchange
- Listing of BBCFSL on secondary exchange i.e. Ballarat or Newcastle

The last option incurs significant professional costs, as BBCFSL would meet much of the criteria that face listing on the ASX.

Enquiries of a Community Bank that did list on a secondary board found that it was costly, with little market activity, and they are withdrawing.



FINANCIAL SNAPSHOT

At 31 July 2019 cash reserves were \$559,163, which is \$254,400 in excess of the self-imposed cash reserve buffer of 150% of the last three months operational expenses.

In addition \$76,604.40 is held in the Community Enterprise Foundation for future Community projects and our Scholarship programme.

PROFIT & LOSS

The accompanying tables show over the last five years: Branch costs increased by 1.37% overall through the year. But employment costs increased by 4.5 % and this is subject of current review.

INCOME STATEMENT	2016 \$	2017 \$	2018 \$	2019 \$
Gross Income – all sources	748,860	766,319	823,163	827,555
Income From Core Banking Business	608,204	647,288	699,835	709,433
Cash Earnings From Core Banking Business	62,920	118,052	152,038	158,879
Community Services **	10,184	- 37,416	-17,458	-30,394
Branch Profit Before Tax	49,395	57,109	112,853	107,512

BALANCE SHEET SUMMARY	2016 \$	2017 \$	2018 \$	2019 \$
Total Current Assets	444,550	492,587	571,297	628,313
Total Current Liabilities	79,184	79,547	83,277	87,560
Working Capital	365,366	413,040	488,020	540,753
Shareholders Equity / Net Worth	516,619	533,964	586,078	631,024
Net Profit after Tax	36,361	41,401	81,815	77,946
Asset Backing per Share	0.78	0.81	0.88	0.95
Earnings per Share	0.05	0.06	0.12	0.12

GEOFFREY ELLISON. FCA. MAICD. Deputy Chair

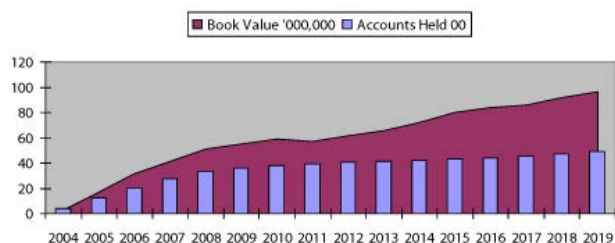
manager's report

as at 30 June 2019



Financial Performance

Over the last financial year, the **Sanctuary Point & Districts Community Bank®** (the Branch) has achieved a 5.22% increase in its book of business, a commendable effort given the level of competition that exists in the financial sector. In dollar terms, this represents an increase of \$4,797 million throughout the year, and a year-end position of \$96.658 million.



In summary, as at the end of 2019 financial year, the Branch's business is represented by:

- A total of 4,901 accounts, a net increase of 190 during the year
- Total book value of \$96.658 million
- Loan business of \$24.301 million (493 loan accounts, a net increase of 16 for the year)
- Deposit business of \$72.357 million (4,408 deposit accounts, a net increase of 174 for the year).



Staffing

This year has seen a few changes in the staff at the **Community Bank®**. We said farewell to long term staff member Michael Tomson, he left us after nearly 8 years. We wish him well for whatever his future holds.

We also said goodbye to Chloe Griffiths our latest School Based Trainee after the successful completion of her two-year traineeship. I have recently caught up with Chloe's father who advised me Chloe had secured full time employment since leaving the bank.

It is always pleasing to see the growth in the trainees during their time with us.

YOUR SANCTUARY POINT TEAM

Your Management Team:

Keith ROBINSON – Branch Manager, joined the company 2004

Kerry WELSH – Customer Relationship Manager, joined the company 2013



Trainee Customer Service Officers

Denzie TOWN – Trainee Customer Service Officer, joined the company 2017. Three-year traineeship Certificate IV due for completion May 2020.

Ashley FAWCETT – Trainee Customer Service Officer, joined the company 2018. Two year traineeship, Certificate III due for completion Feb 2020

Elodie MILES – Trainee Customer Service Officer, joined the company 2018. Two year traineeship, Certificate III due for completion Feb 2020

2019/ 2020 will see the branch working towards restructuring of the staff to gain a higher level of expertise in the branch to service our customers needs.

These days banking is more than simple deposits and withdrawals and we are finding that the level of experience needed behind the counter to service the ever changing needs of the clients is increasing exponentially.

To this end we are looking to employ experienced service officers to replace some of the trainees as they finish their time with us.

The first change you may have already noticed is the return of an old friend. Karen Charles has re-joined us at the end of September. Karen, some may remember was with us for a few years up until 2013 when family commitments took her to the central coast. Karen and her family are now back in the Bay & Basin and we welcome her experience back to the branch.

Once our rebuilding is completed by approximately February 2020, we will again have the type of team that is the envy of the other banks. Why not drop in and sample what excellence in service is like for yourself.

Working in the Community

It's been another busy year for your **Community Bank®** in the Bay & Basin area. We have attended and contributed to many sponsorship events and community projects.

A couple of the more notable are:

The branch team got involved to help raise funds for our local farmers. We ended up raising nearly \$4,500, a great effort from our local community.



15th Birthday Celebrations

Wow where did those 15 years go. I can remember so vividly the day we opened the bank back in 2004 and to think it is now 15 years later, wow.

The bank has come such a long way from those early years when we opened the doors without 1 customer to serve, we quickly grew as did our reputation in the area. We are now the go to business for council and others who want to do something in this area, people come to us for advice now which is fantastic.

We are looking at holding another community forum later this year to gain some more “big ideas” from the locals to give the bank some new community projects to get its teeth into.

Congratulations go to everyone who has had a part in the 15 year history of the bank it has been a huge team effort. I am confident the next 15 years will be even better for your **Community Bank®**.



Annual Golf Day & Charity Auction

This year’s Annual Golf Day and Charity Auction Day raised funds to go towards “Shoalhaven Kids in Need”

Shoalhaven Kids in Need was established in 1993 by a group of local people primarily to provide assistance to Shoalhaven families of children with cancer or other serious illness. This assistance includes:-

- Covering costs of accommodation and travel during treatment at Sydney hospitals – with emergency assistance fund;
- Helping families referred to us by health workers and local paediatricians;

- Purchase of special equipment for children with special needs.



2019 Wrap

2019 was quite a year with a lot of changes for your local **Community Bank®**. The market in general was a pretty tough one with competition for lending at one of the highest levels I have seen in 40 years of banking. Interest rates are at an all time low, which is good for the people with a mortgage but not so good if you are trying to live off your nest egg in retirement. It doesn’t look like 2020 is going to see a return to “normal” interest conditions, it looks as though the trend for now is still downwards pressure on interest rates and with the current volatile share market investing is a tricky deal at this time.

One thing that can be relied on is the service you receive at your **Community Bank®** in Sanctuary Point, the team at the counter may change as staff move onto better roles or complete their training with us but the values and commitment to our local area remains no matter who greets you at the counter. Community banking is a return to those good old-fashioned values we grew up with, local personal service that just can’t be matched by any other means. If you aren’t a customer or haven’t been into the branch lately why not drop in and give us a try, we can handle any of your financial or insurance needs all done locally at the branch.

Lastly as always, I would like to thank my team at the branch, they are a great crew to work with and have customers needs at heart.

I would also like to thank the dedicated board of directors that work tirelessly in the background, these people are volunteers and give freely of their time to see the bank and this area succeed.

Keith G Robinson –
Branch Manager

sponsorships/ grant allocations 2018-2019 Financial Year

During the year, many local organisations benefited from sponsorship and donations provided by your **Community Bank®**.

These included:-

- Bay & Basin Community Radio
- Sanctuary Point Public School
- Vincentia Primary School
- Jervis Bay Public School
- Cancer Care Support Group
- St Georges Basin Country Club Men's Golf
- St Georges Basin Bowls
- Vincentia Golf Club
- Vietnam Veterans Golf
- Community Enterprise Foundation
- Sanctuary Point Community Pride Group
- St Georges Basin Football Club
- Youth Awards (local schools)
- Jervis Bay Fishing Club
- Seexchange Arts Festival
- "About" monthly newsletter
- KidsFix Foundation
- NSW Justices Association
- Wildlife Rescue South Coast
- St Georges Basin Fishing Club
- Aboriginal Graduation Dinner
- Bay & Basin Bombers
- Erowal Bay Tennis
- Huskisson/Woollamia Community Voice

directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

DIRECTORS

The names and details of the company's directors who held office during or since the end of the financial year:

Veronica Jean Husted Chair Retired Library Assistant	Qualifications, experience and expertise: Library Assistant, NSW Public Schools, Women's Employment Officer, NSW Public Service, Deputy Chair of Southern Cross Community Housing, President of Crossroads Rural Fire Brigade, Secretary of Sanctuary Point Community Pride Inc. and previous involvement in many aspects of the community. Has Certificate IV in Workplace Training and Assessment and a Diploma in Labour Law. <i>Special Responsibilities:</i> Chair of Bay & Basin CFSL, Community Affairs, Human Resources Committees. <i>Interest in shares:</i> 500
Geoffrey McNeil Clark Ellison Deputy Chair Chartered Accountant & Business Advisor	Qualifications, experience and expertise: Chartered Accountant, Retired Insolvency Practitioner. Previous: Partner 2nd tier Chartered Accountancy practice. Current: Director/Treasurer Regional Maritime Museum, Trustee RSL Sub Branch. Mentor & Presenter Business Professional Association. <i>Special Responsibilities:</i> Chair of Governance & Audit Committee. <i>Interest in shares:</i> 1,000
Foty Gregory Loupos Director Deputy Principal	Qualifications, experience and expertise: Deputy Principal at Nowra High School, Lecturer Tutor and Trainer. Counsellor, Traditional Chinese medicine Therapist and Clinical Hypnotherapist. Business Development, Consultancy and Mercantile Agent. Qualifications include Bachelor of Commerce - Hospitality Management & Marketing at UNSW, Diploma of Project Management - Organisational Management via Projects, Certificate IV Workplace Training & Assessment, Master Teaching USYD, Master Education CSU, PhD candidature - Leadership and Strategy UoW. <i>Special Responsibilities:</i> Marketing, Media & Management Committee. <i>Interest in shares:</i> Nil
Ian Spencer Frank Mackelden Director Retired	Qualifications, experience and expertise: Involvement as previous Vice President Lady Denman Maritime Museum. Advisor to Board - Australian Skin and Cancer Foundation. Past Board Director of Clemenger BBDO Direct, BBDC Direct New York and Lintas Advertising (Unilever). Accredited MBA - International Management, Tuck School of Business Dartmouth College - New Hampshire USA. Director of Business Development Asia Pacific Wonderman Y&R Advertising. <i>Special Responsibilities:</i> Marketing, Media & Management Committee. <i>Interest in shares:</i> Nil
Anne Stonham Director (<i>Appointed 23 July 2018</i>) General Manager	Qualifications, experience and expertise: Currently General Manager, Corporate Services for a community housing organisation. Previous roles include 30 years' experience as a Financial Manager in Federal Government and Community Services and 12 months experience in the Commonwealth Bank. Holds an Advanced Diploma of Accounting and Graduate Certificate in Management. Skills include Financial Management, Governance and Humane Resource Management. <i>Special Responsibilities:</i> Community Affairs Committee & Human Resources Committee. <i>Interest in shares:</i> Nil

directors' report

continued

Colin Kenneth Poulter

Director (Appointed 27 November 2018)
Retired

Qualifications, experience and expertise: Bachelors of Engineering (Civil), Graduate Diploma in Management (Marketing). General Manager in the Engineering, Construction and IT industries. Owner of a management consulting business, EXSIGHT International since 1999. Currently providing business coaching, mentoring and consulting services.
Special Responsibilities: Governance Committee.
Interest in shares: Nil

David Patrick Walsh

Director (Resigned 6 March 2019)
Retired

Qualifications, experience and expertise: Retired former senior executive with the Australian Government after a 37 year career. Held various positions including State Director (NSW) and Global Manager (Refugee & Humanitarian Visas) with the Department of Immigration and Border Protection, Area Manager (West NSW) and Area Manager (East Coast NSW) with Centrelink and Regional Manager (NSW & ACT) with the Department of Agriculture. Currently Secretary of Crossroads Rural Fire Service, and a volunteer firefighter. Master of Public Administration (Syd). Skills include human resource management, governance, strategic planning and community relations. A strong record of volunteering in various local communities.
Special Responsibilities: Human Resources, Governance & Audit Committees
Interest in shares: Nil

Paul Jeffrey Hawkins

Director (Resigned 12 November 2018)
Retired/Self Employed Marriage Celebrant

Qualifications, experience and expertise: Customer Service Officer with Centrelink involved in granting payments, raising debts and investigating fraud. Managed welfare centre plus outreach homes with 3 F/T and 4 P/T staff. Duties included OHS, HR, budgeting, submitting monthly/annual audit reports, training general running of centre. Financial counsellor with Creditline. Duties included negotiating with creditors, assisting clients with budgeting, counselling and some preparation and attendance at bankruptcy proceedings. Other employment included probation – parole, youth worker and over 20 years with NSW Police Service. Involved with NSW Justice Association, retired Police Association and complete volunteer work (court duties) with Shorehaven Community Legal Aid. Completed a BA Social Science and current listed Justice of Peace.
Special Responsibilities: Human Resources Committee
Interest in shares: Nil

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

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

COMPANY SECRETARY

Keith Gordon Robinson was appointed as company secretary on 25 August 2010. Keith holds a Diploma in Business and has experience in the finance sector, as well as the real estate industry.

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

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

	Year ended 30 June	
	2019	2018
	\$	\$
	77,946	81,814

DIVIDENDS

	Year Ended 30 June 2019	
Dividends	Cents	\$
Dividends paid in the year	5	33,000

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

DIRECTORS' BENEFITS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

directors' report continued

DIRECTORS' MEETINGS

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

	Committee Meetings Attended							
	Board Meetings Attended		Governance & Audit		Human Resources		Marketing, Media & Management	
	A	B	A	B	A	B	A	B
Veronica Jean Husted	11	10	-	-	5	5	-	-
Geoffrey McNeil Clark Ellison	11	10	9	9	-	-	-	-
Foty Gregory Loupos	11	7	-	-	-	-	-	-
Ian Spencer Frank Mackelden	11	8	-	-	-	-	2	1
Anne Stonham (Appointed 23 July 2018)	11	9	-	-	2	1	-	-
Colin Kenneth Poulter (Appointed 27 November 2018)	7	7	5	5	-	-	-	-
David Patrick Walsh (Resigned 6 March 2019)	7	5	5	-	3	3	-	-
Paul Jeffrey Hawkins (Resigned 12 November 2018)	4	2	-	-	2	1	-	-

A - Eligible to attend, B - Number attended

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON AUDIT SERVICES

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

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

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the

Corporations Act 2001 for the following reasons:

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

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Signed in accordance with a resolution of the board of directors at Sanctuary Point, New South Wales on 14 August 2019.



Veronica Jean Husted, Chair

auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bay & Basin Community Financial Services Limited

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 14 August 2019



Joshua Griffin
Lead Auditor

statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	827,535	823,162
Employee benefits expense		(384,038)	(367,477)
Charitable donations, sponsorship, advertising and promotion		(59,954)	(73,261)
Occupancy and associated costs		(50,244)	(53,815)
Systems costs		(20,161)	(19,644)
Depreciation and amortisation expense	5	(20,973)	(21,729)
General administration expenses		(184,653)	(174,385)
Profit before income tax expense		107,512	112,851
Income tax expense	6	(29,566)	(31,037)
Profit after income tax expense		77,946	81,814
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		77,946	81,814
Earnings per share		¢	¢
- Basic earnings per share	22	11.81	12.40

The accompanying notes for part of these financial statements

balance sheet

as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	556,852	502,974
Trade and other receivables	8	71,461	68,323
Total Current Assets		628,313	571,297
Non-Current Assets			
Property, plant and equipment	9	83,525	90,610
Intangible assets	10	62,483	10,307
Deferred tax asset	11	2,914	3,702
Total Non-Current Assets		148,922	104,619
Total Assets		777,235	675,916
LIABILITIES			
Current Liabilities			
Trade and other payables	12	29,908	20,229
Current tax liabilities	11	9,755	19,475
Provisions	13	47,897	43,573
Total Current Liabilities		87,560	83,277
Non-Current Liabilities			
Trade and other payables	12	44,596	-
Provisions	13	14,055	6,561
Total Non-Current Liabilities		58,651	6,561
Total Liabilities		146,211	89,838
Net Assets		631,024	586,078
Equity			
Issued capital	14	624,056	624,056
Retained earnings/(Accumulated losses)	15	6,968	(37,978)
Total Equity		631,024	586,078

The accompanying notes for part of these financial statements

statement of changes in equity

for the financial year ended 30 June 2019

	Notes	Issued Capital \$	Retained earnings/ (Accumulated Losses) \$	Total Equity \$
Balance at 1 July 2017		624,056	(90,092)	533,964
Total comprehensive income for the year		-	81,814	81,814
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(29,700)	(29,700)
Balance at 30 June 2018		624,056	(37,978)	586,078
Balance at 1 July 2018		624,056	(37,978)	586,078
Total comprehensive income for the year		-	77,946	77,946
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(33,000)	(33,000)
Balance at 30 June 2019		624,056	6,968	631,024

statement of cashflows

for the financial year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		899,321	898,074
Payments to suppliers and employees		(768,038)	(775,051)
Interest received		9,164	7,464
Income taxes paid		(38,498)	(14,532)
Net cash provided by operating activities	16	101,949	115,955
Cash flows from investing activities			
Payments for property, plant and equipment		(1,887)	(1,533)
Payments for intangible assets		(13,184)	-
Net cash used in investing activities		(15,071)	(1,533)
Cash flows from financing activities			
Dividends paid	20	(33,000)	(29,700)
Net cash used in financing activities		(33,000)	(29,700)
Net increase in cash held		53,878	84,722
Cash and cash equivalents at the beginning of the financial year		502,974	418,252
Cash and cash equivalents at the end of the financial year	7(a)	556,852	502,974

The accompanying notes for part of these financial statements

notes to the financial statements

for the financial year ended 30 June 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting

for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

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

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

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

AASB 16 Leases

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

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

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

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

notes to the financial statements continued

for the financial year ended 30 June 2019

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$144,301.

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

the franchise operation, including advice and assistance in relation to:

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

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

b) Revenue

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

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

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

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or unrefundable).

Deferred tax

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

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

notes to the financial statements continued

for the financial year ended 30 June 2019

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

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

Current and deferred tax for the period

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

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes

expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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

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

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

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

i. Financial Liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding

financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

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

ii. Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

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

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

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

Derecognition

i. Derecognition of financial liabilities

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

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

ii. Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

notes to the financial statements continued

for the financial year ended 30 June 2019

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

NOTE 2. FINANCIAL RISK MANAGEMENT

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found

no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

notes to the financial statements continued

for the financial year ended 30 June 2019

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

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

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

NOTE 4. REVENUE FROM ORDINARY ACTIVITIES

	2019 \$	2018 \$
Operating activities:		
- gross margin	465,809	434,236
- services commissions	162,579	175,262
- fee income	73,232	81,853
- market development fund	35,000	35,000
- community newsletter	81,751	88,328
Total revenue from operating activities	818,371	814,679
Non-operating activities:		
- interest received	9,164	7,464
- other revenue	-	1,019
Total revenue from non-operating activities	9,164	8,483
Total revenues from ordinary activities	827,535	823,162

NOTE 5. EXPENSES

	2019 \$	2018 \$
Depreciation of non-current assets:		
- plant and equipment	5,276	6,031
- leasehold improvements	1,954	1,954
Amortisation of non-current assets:		
- franchise agreement	2,271	2,295
- franchise renewal fee	11,472	11,449
	20,973	21,729
Bads debts	1,511	736
Loss on disposal of asset	1,741	-

NOTE 6. INCOME TAX EXPENSE

		2019 \$	2018 \$
The components of tax expense comprise:			
- Current tax		28,778	30,202
- Movement in deferred tax		788	835
		29,566	31,037
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		107,512	112,851
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)		29,566	31,034
Add tax effect of:			
- non deductible expenses		479	75
- timing difference expenses		(1,267)	(902)
- other deductible expenses		-	(5)
		28,778	30,202
Movement in deferred tax	11	788	835
		29,566	31,037

NOTE 7. CASH AND CASH EQUIVALENTS

		2019 \$	2018 \$
Cash at bank and on hand		160,227	215,084
Term deposits		396,625	287,890
		556,852	502,974

Note 7. (a) Reconciliation to cash flow statement

		2019 \$	2018 \$
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		160,227	215,084
Term deposits		396,625	287,890
		556,852	502,974

NOTE 8. TRADE AND OTHER RECEIVABLES

		2019 \$	2018 \$
Trade receivables		58,283	57,981
Prepayments		10,101	7,429
Other receivables and accruals		3,077	2,913
		71,461	68,323

notes to the financial statements continued

for the financial year ended 30 June 2019

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	2019 \$	2018 \$
Leasehold improvements		
At cost	78,165	78,165
Less accumulated depreciation	(29,772)	(27,818)
	48,393	50,347
Plant and equipment		
At cost	135,181	141,203
Less accumulated depreciation	(100,049)	(100,940)
	35,132	40,263
Total written down amount	83,525	90,610
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	50,347	52,302
Less: depreciation expense	(1,954)	(1,954)
Carrying amount at end	48,393	50,348
Plant and equipment		
Carrying amount at beginning	40,262	44,744
Additions	1,887	1,795
Disposals	(1,741)	(245)
Less: depreciation expense	(5,276)	(6,032)
Carrying amount at end	35,132	40,262
Total written down amount	83,525	90,610

NOTE 10. INTANGIBLE ASSETS

	2019 \$	2018 \$
Franchise fee		
At cost	93,917	82,930
Less: accumulated amortisation	(83,441)	(81,170)
	10,476	1,760
Renewal processing fee		
At cost	169,577	114,645
Less: accumulated amortisation	(117,570)	(106,098)
	52,007	8,547
Total written down amount	62,483	10,307

NOTE 11. TAX

	2019 \$	2018 \$
Current:		
Income tax payable	9,755	19,475
Non-Current:		
Deferred tax assets		
- accruals	798	770
- employee provisions	17,037	13,787
	17,835	14,557
Deferred tax liability		
- accruals	722	722
- property, plant and equipment	14,199	10,133
	14,921	10,855
Net deferred tax asset	2,914	3,702
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	788	835

notes to the financial statements continued

for the financial year ended 30 June 2019

NOTE 12. TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
Current:		
Trade creditors	3,013	3,160
Other creditors and accruals	26,895	17,069
	29,908	20,229
Non-Current:		
Other creditors and accruals	44,596	-

NOTE 13. PROVISIONS

	2019 \$	2018 \$
Current:		
Provision for annual leave	19,054	16,667
Provision for long service leave	28,843	26,906
	47,897	43,573
Non-Current:		
Provision for long service leave	14,055	6,561

NOTE 14. ISSUED CAPITAL

	2019 \$	2018 \$
660,000 Ordinary shares fully paid (2018; 660,000)	660,000	660,000
Less: equity raising expenses	(35,944)	(35,944)
	624,056	624,056

Rights attached to shares

a. Voting rights

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

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

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

b. Dividends

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

c. Transfer

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

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

Prohibited share holding interest

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

In summary, a person has a prohibited share holding interest if they control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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

notes to the financial statements continued

for the financial year ended 30 June 2019

NOTE 15. RETAINED EARNINGS/ (ACCUMULATED LOSSES)

	2019 \$	2018 \$
Balance at the beginning of the financial year	(37,978)	(90,092)
Net profit from ordinary activities after income tax	77,946	81,814
Dividends provided for or paid	(33,000)	(29,700)
Balance at the end of the financial year	6,968	(37,978)

NOTE 16. STATEMENT OF CASH FLOWS

	2019 \$	2018 \$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	77,946	81,814
Non cash items:		
- depreciation	7,230	7,985
- amortisation	13,743	13,744
- profit/(loss) on disposal of asset	1,741	(19)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(3,138)	6,113
- (increase)/decrease in other assets	788	835
- increase/(decrease) in payables	1,541	(10,725)
- increase/(decrease) in provisions	11,818	538
- increase/(decrease) in current tax liabilities	(9,720)	15,670
Net cash flows provided by operating activities	101,949	115,955

NOTE 17. LEASES

	2019 \$	2018 \$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	30,379	21,943
- between 12 months and 5 years	113,922	-
	144,301	21,943

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease was renewed on 21 March 2019 for a five year term.

NOTE 18. AUDITORS' REMUNERATION

	2019 \$	2018 \$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- share registry services	1,885	5,772
- non-audit services	2,430	2,682
	8,915	12,854

NOTE 19. DIRECTOR AND RELATED PARTY DISCLOSURES

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

Veronica Jean Husted

Geoffrey McNiel Clark Ellison

Foty Gregory Loupos

Ian Spencer Frank Mackelden

Anne Stonham (Appointed 23 July 2018)

Colin Kenneth Poulter (Appointed 27 November 2018)

David Patrick Walsh (Resigned 6 March 2019)

Paul Jeffrey Hawkins (Resigned 12 November 2018)

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

Directors Shareholdings

	2019 \$	2018 \$
Veronica Jean Husted	500	500
Geoffrey McNiel Clark Ellison	1,000	1,000
Foty Gregory Loupos	-	-
Ian Spencer Frank Mackelden	-	-
Anne Stonham (Appointed 23 July 2018)	-	-
Colin Kenneth Poulter (Appointed 27 November 2018)	-	-
David Patrick Walsh (Resigned 6 March 2019)	-	-
Paul Jeffrey Hawkins (Resigned 12 November 2018)	-	-

There was no movement in directors share holding during the year.

notes to the financial statements continued

for the financial year ended 30 June 2019

NOTE 20. DIVIDENDS PROVIDED FOR OR PAID

	2019 \$	2018 \$
a. Dividends paid during the year		
Current year dividend		
100% (2018: 100%) franked dividend - 5 cents (2018: 4.5 cents) per share	33,000	29,700
The tax rate at which dividends have been franked is 27.5% (2018: 27.5%)		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	62,256	36,274
- franking credits that will arise from payment of income tax as at the end of the financial year	9,755	19,475
Franking credits available for future financial reporting periods:	72,011	55,749
Net franking credits available	72,011	55,749

NOTE 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

NOTE 22. EARNINGS PER SHARE

	2019 \$	2018 \$
a. Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	77,946	81,814
	Number	Number
b. Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	660,000	660,000

NOTE 23. EVENTS OCCURRING AFTER THE REPORTING DATE

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

NOTE 24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 25. SEGMENT REPORTING

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

NOTE 26. REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

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

Registered Office

1/200 Kerry Street
Sanctuary Point NSW 2540

Principal Place of Business

1/200 Kerry Street
Sanctuary Point NSW 2540

NOTE 27. FINANCIAL INSTRUMENTS

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets												
Cash and cash equivalents	160,095	214,975	396,625	287,890	-	-	-	-	132	109	1.67	1.57
Receivables	-	-	-	-	-	-	-	-	58,283	57,981	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	3,013	3,160	N/A	N/A

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

Credit Risk The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements. There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

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

Sensitivity Analysis The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates. As at 30 June 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019	2018		2019	2018
	\$	\$		\$	\$
Change in profit/(loss)			Change in equity		
- Increase in interest rate by 1%	5,567	5,029	- Increase in interest rate by 1%	5,567	5,029
- Decrease in interest rate by 1%	5,567	5,029	- Decrease in interest rate by 1%	5,567	5,029

director's declaration

year ended 30 June 2019

In accordance with a resolution of the directors of Bay & Basin Community Financial Services Limited we state that:

In the opinion of the directors:

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

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



Veronica Jean Husted,
Chair
Signed on 14th of August 2019.

independent auditor's report



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Bay & Basin Community Financial Services Limited

Report on the audit of the financial report

Our opinion

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

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

What we have audited

Bay & Basin Community Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

independent auditor's report

continued

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 14 August 2019



Joshua Griffin
Lead Auditor



Sanctuary Point & Districts **Community Bank®** Branch
 1/200 Kerry Street, Sanctuary Point NSW 2540
 Phone: (02) 4443 9825 Fax: (02) 4443 9935

www.aboutbayandbasin.org