Annual Report 2022

Bay & Basin Community Financial Services Limited

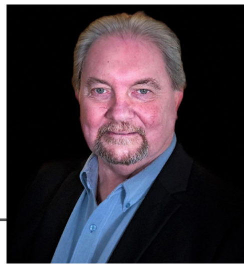
Community Bank
Sanctuary Point & Districts

ABN 62 105 756 063

Sanctuary Point & Districts Community Bank Branch

Annual Report 2022

chair's report



INTRODUCTION

I am very pleased to present this, my inaugural report as chair for Bay & Basin Community Financial Services Ltd. I was voted in as chair on the retirement from the position of Veronica Husted, towards the end of 2021. I would like to take this opportunity to publicly thank Veronica for all her dedication and hard work over many years, without Veronica's steady hand on the wheel we may not have seen projects like the Clifton Park precinct come to fruition. I thank you my friend and wish you well with your future endeavours.

This past year has seen many challenges thrown at your community bank and I am pleased to say that we are starting to see some light at the end of the tunnel. It appears interest rates are going to normalise over the next year which should see a healthy margin, improving our overall profitability and giving us more funds to distribute to our shareholders and the community.

VALE : GEOFFREY ELLISON

It is with personal sadness that I advise our shareholders and partners of the passing of Geoffrey Ellison, 27th April 2022.

Geoffrey was a long-time supporter and director of our company and the bank.

A personal friend of mine Geoffrey was always there with sage advice, normally shared over a coffee and a piece of cake. He spent many hours working on bank matters, mainly with regards to good governance. His other passion on the board was looking after our annual scholarship program, revelling in awarding scholarships to our deserving local students. His input and advice will be sorely missed.

CORPORATE AFFAIRS

This year we are pleased to advise that we are again able to have a face-to-face AGM. We have decided that whilst the AGM will be face-to-face, that we would also offer our shareholders a virtual option to attend the meeting, details of both options can be found in the notice of meeting document sent with this report.

We encourage you to come to the meeting if you can, it has been a couple of years since we have been able to get together and it will be good to see our shareholders again.

YOUR DIRECTORS

As with most companies we have seen a couple of changes to the directors of Bay & Basin Community Financial Services Ltd during the past year.

Mary-Jean Lewis, resigned in January 2022 to start her family. Mary-Jean was with us for a couple of years, her contributions and her legal advice were of great benefit to the board. We wish her well with her new family and business.

Steve Glenday, resigned in March 2022. Steve left the Bay & Basin area to follow his passion for Alpacas on a new property. We thank him for his contribution

Sharon Goldsmith, was appointed to the board January 2022 and has quickly become a valuable member of the team.

You will have noticed an expression of interest page, seeking new members for our team. As a shareholder you have a vested interest in how your company is run and if you would like to make a more active contribution, maybe being a director on the board would suit you. We are always looking for people who are passionate about their community to work with us to keep the company running and contributing to the local area.

SHAREHOLDER DIVIDENDS

Unfortunately, the uncertainty of trade and the low interest margins continued during the 2021/2022 financial year. This made the paying of a dividend this year untenable. It is certainly not the situation your board would prefer but the long-term viability of the company must take precedent.

The financial conditions at the beginning of 2022 tax year appear to be improving and the board would envisage a dividend will be payable again next year.

COMMUNITY CONTRIBUTIONS

The opportunities to contribute to the community this year have been limited given the continuation of the pandemic and the cancellation of many events.

We did manage to continue our good work awarding another University scholarship to a deserving local student.

There were a couple of other small contributions towards the arts in the area and we started working towards our support of a significant publication for local history in the area. More on this when it concludes next year.

We are always on the lookout for good projects that we can get involved in, so if you know of something that you feel would benefit from the boards involvement, please make contact with the branch and pass on the details.

BRANCH MATTERS

As I am sure you will be aware, I retired from my full-time role as branch manager in November 2021, after nearly 18 years in the position. We have employed a new manager, Anthony van Breugel, to take the branch forward over the coming years. Anthony comes to us with a wealth of financial services knowledge and staff management experience. You will see Anthony's first annual report in this publication. Anthony has made a good start to his new role and has fit in nicely with the existing staff.

The branch needs to be continually changing and evolving to meet the needs of our customers and the local community. You will have noticed a few changes over the past year, these are all aimed at a better customer experience and a more efficient operation to ensure the branch has longevity.

A NOTE OF THANKS

I would like to take this opportunity to publicly thank our board of directors, both current and past. These are all people who give freely of their time and expertise without asking for anything in return, without them the company would cease to run.

I would also like to give thanks to others who work with us to keep the company going.

Lori Hambridge, our bookkeeper and treasurer. Lori keeps us on track with everything to do with the company's accounts, thank you.

Michelle Graham, who looks after the About magazine. There wouldn't be a magazine without Michelle

Oliver Griffiths, our junior board observer, his contributions and input have been invaluable.

SUMMATION

This year again has been quite a difficult one, but I am confident that conditions are improving and I look forward to the future of our business.

We have a very solid foundation to build on for the future of our company and the branch, we have a good team of directors and a good team at the branch ready to take the business into the future.

Keith G Robinson
Chairman

manager's report

as at 30 June 2022

Financial Performance

Over the last financial year, the Sanctuary Point & Districts Community Bank ("the branch") has achieved an 11.27% increase in its book of business, continuing our strong growth in business during the tough economic times brought on by the COVID-19 pandemic.

In dollar terms, this represents an increase of $11.658 million for the year and a year-end position of $115.096 million.

Unfortunately, with a continuation of record low interest rates for most of the financial year, this growth in business did not flow through to growth in revenue as is evidenced in the financial statements.

The good news, that with interest rates commencing to rise from May, revenue is now on an upward trajectory which may see a return to profit in the 2022/23 financial year.

In summary, as at the end of the 2022 financial year, the Branch's business is represented by:

- Total book value of $115.096 million
- Loan business of $20.143 million
- Deposit business of $94.953 million
- Total Accounts 5,145 – an increase of 174 for the year.

Staffing

This past year has seen two changes to our staff.

Keith Robinson retired in November 2021 after serving as Branch Manager since the branch opened in 2004. Keith is now enjoying his retirement with his wife Lee-Anne, as well as servicing as our company Chairman.

I (Anthony van Breugel) was appointed as Keith's replacement.

We also saw the department of Cheryl Collett, who left to take up a new role within Bendigo & Adelaide Bank. Shelby Smith was appointed to replace Cheryl.

Your Sanctuary Point Team

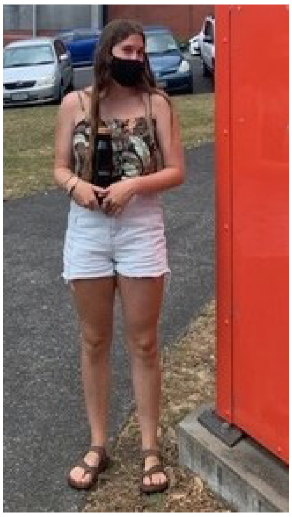
Anthony VAN BREUGEL – Branch Operations Manager (pictured above right) joined the company in November 2021.

Kerry WELSH – Community Lending Specialist, joined the company in 2013.

Dana WILSON – Full Time Senior Customer Service Officer, joined the company in 2020.

Donna HILLHOUSE – Part Time Customer Service Officer, joined the company in 2020.

Shelby SMITH – Part Time Customer Service Officer, joined the company in November 2021.



Our 2022 Scholarship Recipient

UNIVERSITY of TASMANIA

This year your community bank is proudly supporting one student to further their education by providing a $5,000 scholarship to this bright young individual.

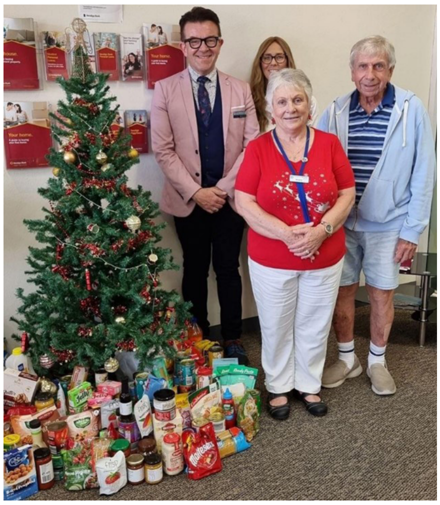
This year's scholarship is awarded to Alyssa Head from Basin View.

After a successful HSC year, Alyssa has relocated to Tasmania to commence her university degree, studying for a Bachelor of Environment and Wilderness.

Moving away from home to study is an expensive exercise and having to worry about money while trying to cope with living on your own for the first time is a lot, so we are glad we can lighten the load.

We wish Alyssa great success for the future and will be cheering on her from the side lines!

Working in the Community



Once again the COVID pandemic made it a very challenging year for working with the community. Most events continued to be cancelled meaning our community involvement was very limited.

We continued to support local sport and schools through sponsorships and awards as well as, with the help of the local community, donate food to Vinnies shop in Sanctuary Point for those doing it tough at Christmas time.

Additionally, we provided a community grant to *"What the body knows (but may have forgotten)"*, a four day arts festival that was held recently at the Huskisson Community Centre.

With COVID restrictions easing and community activity returning to normal, we certainly look forward to be actively working in the community in the coming years.

2022 Wrap

In last years annual report, Keith wrote that 2021 was a year unlike no other. That was correct until 2022 came along.

The pandemic continued to have a negative impact on the economy and us as individuals and then on top of that, overseas tensions put further strain on the economy, which is now placing pressure on the cost of living.

Despite that, we grew our business and enter the new financial year in a strong position, despite this year's loss.

With interest rates on the increase, we are starting to see much improved income being generated which bodes well for the future and gives us an excellent base on which to continue to grow our business.

Change, as they say, is the only constant in life. As a Community Bank we are adapting to the changing world and changes in technology, ensuring that we continue to provide outstanding customer service, flawless execution in our activities and ultimately provide good returns for our shareholders and our local community.

To our directors, thank you for your faith in appointing me as the manager. It has been a pleasure working with you and I congratulate the hard work, in challenging times, you put in as volunteers in your positions.

Last, but by no means least, thank you to our dedicated branch staff. They have help improve our operation and performance as a branch. The task continues, but we have the right team to achieve great success.

The future looks bright and we are in a great position to see some substantial gains in 2022/23 and beyond.

Anthony van Breugel
Branch Operations Manager

directors' report

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

DIRECTORS

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

Keith Gordon Robinson **Chair**	*Experience and expertise:* I have been an employee of Bendigo Bank Sanctuary Point in the role of Branch Manager since the opening of the branch in February 2004, was appointed Company Secretary August 2010 and Executive Director August 2019. Prior to commencing with Bendigo Bank I spent 5 years as a licensed Real Estate agent my final position in that industry was Commercial Leasing and Sales with Elders Nowra. I commenced my working career with National Bank starting in 1979 where I spent 7 years and then moved onto The Illawarra Mutual Building Society for 13 years. My qualifications include Degree in Business, majoring in Real Estate, Associate Member of the Institute of Financial Services, Justice of the Peace, sworn in 1987, Current working with children check, St Marks Anglican Church Founding Treasurer for Parish and Warranted Scout leader. *Special responsibilities:* Marketing, Media & Management committee, Human Resources committee and Community committee
Veronica Jean Husted **Non-Executive Director**	*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. *Special responsibilities:* Chair of Bay & Basin CFSL, Community Affairs, Human Resources Committees
Paul Michael Lallensack **Non-Executive Director**	*Experience and expertise:* Chief Operating Officer and Director of Epson Australia PTY Ltd. Financial Controller of Basketball Australia. Financial Controller and Company Secretary Maritime Container Services PTY Ltd. Finance Director City of Sydney Basketball Association. Bachelor of Arts degree Business Administration (Accounting). Varied financial, administrative and managerial experience. *Special responsibilities:* Member of Corporate Governance and Audit Committee.
Sharon Lee Goldsmith **Non-Executive Director** *(appointed 24 January 2022)*	*Experience and expertise:* Sharon has been managing a business for the last 37 years and is community orientated. *Special responsibilities:* Nil
Mary-Jean Lewis **Non-Executive Director** *(resigned 19 January 2022)*	*Experience and expertise:* Mary-Jean is a Lawyer at Ardent Lawyers since 2015. She is a Director of Interchange Shoalhaven Inc. Mary-Jean has a Bachelor of Law and is President of Milton Ulladulla Business Chamber. *Special responsibilities:* Shareholder management
Stephen James Glenday **Non-Executive Director** *(resigned 1 March 2022)*	*Experience and expertise:* High school Principal, Alpaca farmer. *Special responsibilities:* Human Resources Committee

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

COMPANY SECRETARY

The company secretary is Keith Gordon Robinson. Keith was appointed to the position of secretary on 25 August 2010.

PRINCIPAL ACTIVITY

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

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

REVIEW OF OPERATIONS

The loss for the company after providing for income tax amounted to $80,153 (30 June 2021: $1,414).

Operations have continued to perform in line with expectations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

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

MEETINGS OF DIRECTORS

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

	Board Meetings Attended		Committee Meetings Attended									
			Community		Marketing, Media & Management		Human Resources		Governanace & Audit		Finance	
	E	A	E	A	E	A	E	A	E	A	E	A
Keith Gordon Robinson	10	10	5	5	3	3	2	2	-	-	1	1
Veronica Jean Husted	10	10	5	5	-	-	2	2	-	-	-	-
Paul Michael Lallensack	10	10	-	-	-	-	-	-	4	4	1	1
Sharon Lee Goldsmith	6	3	-	-	-	-	-	-	-	-	-	-
Stephen James Glenday	6	3	-	-	-	-	-	-	-	-	-	-
Mary-Jean Lewis	4	-	-	-	-	-	-	-	-	-	-	-

E - Eligible to attend, A - Number attended

directors' report
continued

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 except as disclosed in note 24 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

DIRECTORS' INTERESTS

The interest in company shareholdings for each director are:

	Balance at start of the year	Changes during the year	Balance at end of the year
Keith Gordon Robinson	-	-	-
Veronica Jean Husted	500	-	500
Paul Michael Lallensack	-	-	-
Sharon Lee Goldsmith	-	-	-
Stephen James Glenday	-	-	-
Mary-Jean Lewis	-	-	-

INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

INDEMNITY AND INSURANCE OF AUDITOR

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

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

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 26 to the accounts.

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

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

AUDITORS' INDEPENDENCE DECLARATION

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

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

On behalf of the directors.

Keith Gordon Robinson,
Chair
26 September 2022

auditor's independence declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of 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 2022, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 7 October 2022

Adrian Downing
Lead Auditor

statement of profit or loss and other comprehensive income

for the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	6	446,904	467,635
Other revenue	7	79,709	133,332
Finance revenue		1,861	4,857
Employee benefits expense	8	(351,832)	(370,393)
Advertising and marketing costs		(8,256)	(8,581)
Occupancy and associated costs		(22,332)	(24,783)
System costs		(18,801)	(18,805)
Depreciation and amortisation expense	8	(48,522)	(37,948)
Finance costs	8	(4,887)	(6,062)
General adminstration expenses		(158,955)	(144,879)
Loss before community contributions and income tax benefit		(85,111)	(5,627)
Charitable donations and sponsorships expense		(21,673)	(3,252)
Loss before income tax benefit		(106,784)	(8,879)
Income tax benefit	9	26,631	7,465
Loss after income tax benefit for the year	20	(80,153)	(1,414)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(80,153)	(1,414)
		¢	¢
Basic earnings per share	28	(12.14)	(0.21)
Diluted earning per share	28	(12.14)	(0.21)

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

statement of financial position

as at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	436,008	600,954
Trade and other receivables	11	60,136	48,111
Current tax assets	9	33,035	15,920
Total current assets		529,179	664,985
Non-Current Assets			
Property, plant and equipment	12	56,849	72,375
Right-of-use assets	13	35,115	48,538
Intangibles	14	22,931	36,116
Deferred tax assets	9	20,003	26,406
Total non-current assets		134,898	183,435
Total Assets		664,077	848,420
LIABILITIES			
Current Liabilities			
Trade and other payables	15	41,112	50,922
Lease liabilities	16	30,350	27,229
Employee benefits	17	16,050	78,391
Total current liabilities		87,512	156,542
Non-Current Liabilities			
Trade and other payables	15	-	14,865
Lease liabilities	16	24,033	50,898
Employee benefits	17	12,886	8,033
Provisions	18	36,800	35,083
Total non-current liabilities		73,719	108,879
Total Liabilities		161,231	265,421
Net Assets		502,846	582,999
Equity			
Issued capital	19	624,056	624,056
Accumulated losses	20	(121,210)	(41,057)
Total Equity		502,846	582,999

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

statement of changes in equity

for the financial year ended 30 June 2022

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2020		624,056	(13,243)	610,813
Profit after income tax expense		-	(1,414)	(1,414)
Transactions with owners in their capacity as owners:				
Dividends provided for	22	-	(26,400)	(26,400)
Balance at 30 June 2021		624,056	(41,057)	582,999
Balance at 1 July 2021		624,056	(41,057)	582,999
Profit after income tax expense		-	(80,153)	(80,153)
Balance at 30 June 2022		624,056	(121,210)	502,846

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

statement of cashflows

for the financial year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		563,697	675,696
Payments to suppliers and employees (inclusive of GST)		(699,607)	(580,258)
		(135,910)	95,438
Interest received		1,861	5,078
Interest and other finance costs paid		(3)	-
Income taxes refunded/(paid)		15,919	(4,016)
Net cash provided by/(used in) operating activities	27	(118,133)	96,500
Cash flows from investing activities			
Payments for property, plant and equipment		(1,960)	(792)
Payments for intangibles		(13,514)	(13,514)
Net cash used in investing activities		(15,474)	(14,306)
Cash flows from financing activities			
Dividends paid	22	-	(26,400)
Repayment of lease liabilities	16	(31,339)	(30,379)
Net cash used in financing activities		(31,339)	(56,779)
Net increase/(decrease) in cash and cash equivalents		(164,946)	25,415
Cash and cash equivalents at the beginning of the financial year		600,954	575,539
Cash and cash equivalents at the end of the financial year	10	436,008	600,954

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

notes to the financial statements

for the financial year ended 30 June 2022

NOTE 1. REPORTING ENTITY

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 1/200 Kerry Street, Sanctuary Point NSW 2540.

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 September 2022. The directors have the power to amend and reissue the financial statements.

NOTE 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

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

Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Current and non-current classification

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

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

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

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

Impairment

Non-derivative financial assets

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2022.

Non-financial assets

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

notes to the financial statements

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Goods and Services Tax (GST)

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

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

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

NOTE 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Coronavirus (COVID-19) pandemic

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

Estimation of useful lives of assets

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

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

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

Recovery of deferred tax assets

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

Lease term

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

Incremental borrowing rate

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

Employee benefits provision

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

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

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

Lease make good provision

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

NOTE 5. ECONOMIC DEPENDENCY

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

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

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

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

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

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

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

notes to the financial statements

continued for the financial year ended 30 June 2022

NOTE 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 $	2021 $
Margin income	369,967	383,153
Fee income	51,693	59,610
Commission income	25,244	24,872
Revenue from contracts with customers	446,904	467,635

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

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

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

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

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

Revenue calculation

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

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus: any deposit returns i.e. interest return applied by Bendigo Bank for a deposit

minus: any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

NOTE 7. OTHER REVENUE

	2022 $	2021 $
Community Newsletter	64,568	80,527
Market development fund	15,000	26,667
Cash flow boost	-	23,945
Other income	141	2,193
Other revenue	79,709	133,332

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

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Community Newsletter	Community Newsletter income is recognised through monthly subscriptions.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of GST.

notes to the financial statements

continued for the financial year ended 30 June 2022

NOTE 7. OTHER REVENUE (continued)

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

Community newsletter

This income relates to amounts received from various organisations within the community who advertise within the monthly newsletter.

NOTE 8. EXPENSES

	2022 $	2021 $
Depreciation and amortisation expense		
Depreciation of non-current assets:		
Leasehold improvements	12,133	1,953
Plant and equipment	5,353	5,161
	17,486	7,114
Depreciation of right-of-use assets		
Leased land and buildings	17,851	17,650
Amortisation of intangible assets:		
Franchise fee	2,198	2,197
Franchise renewal process fee	10,987	10,987
	13,185	13,184
	48,522	37,948

	2022 $	2021 $
Finance costs		
Lease interest expense	3,167	4,421
Unwinding of make-good provision	1,717	1,641
Other	3	-
	4,887	6,062

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

	2022 $	2021 $
Employee benefits expense		
Wages and salaries	349,140	313,912
Superannuation contributions	30,338	30,895
Expenses related to long service leave	(28,874)	6,674
Other expenses	1,228	18,912
	351,832	370,393

	2022 $	2021 $
Leases recognition exemption		
Expenses relating to low-value leases	7,524	6,693

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

notes to the financial statements

continued for the financial year ended 30 June 2022

NOTE 9. INCOME TAX

	2022 $	2021 $
Income tax benefit		
Movement in deferred tax	11,563	(4,812)
Reduction in company tax rate	-	1,056
Future income tax benefit attributable to losses	(5,159)	-
Carried-back taxable profits utilised	(33,035)	(3,709)
Aggregate income tax benefit	(26,631)	(7,465)
Prima facie income tax reconciliation		
Less before income tax benefit	(106,784)	(8,879)
Tax at the statutory tax rate of 25% (2021: 26%)	(26,696)	(2,309)
Tax effect of:		
Non-deductible expenses	65	14
Non-assessable income	-	(6,226)
Reduction in company tax rate	-	1,056
Income tax benefit	(26,631)	(7,465)
Deferrred tax assets/(liabilities)		
Tax losses	5,159	-
Property, plant and equipment	(7,206)	(10,766)
Employee benefits	7,234	21,606
Provision for lease make good	9,200	8,771
Accrued expenses	799	-
Income accruals	-	(602)
Lease liabilities	13,596	19,532
Right-of-use assets	(8,779)	(12,135)
Deferred tax asset	20,003	26,406
Income tax refund due	33,035	15,920

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

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

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

NOTE 10. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash at bank and on hand	436,008	307,970
Term deposits	-	292,984
	436,008	600,954

Accounting policy for cash and cash equivalents

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

NOTE 11. TRADE AND OTHER RECEIVABLES

	2022 $	2021 $
Trade receivables	51,985	36,577
Other receivables and accruals	450	141
Accrued income	-	2,407
Prepayments	7,701	8,986
	8,151	11,534
	60,136	48,111

Accounting policy for trade and other receivables

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

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

notes to the financial statements

continued for the financial year ended 30 June 2022

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	2022 $	2021 $
Leasehold improvements - at cost	78,165	78,165
Less: Accumulated depreciation	(45,812)	(33,679)
	32,353	44,486
Plant and equipment - at cost	139,844	137,885
Less: Accumulated depreciation	(115,348)	(109,996)
	24,496	27,889
	56,849	72,375

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

	Leasehold improvements $	Plant and equipment $	Total $
Balance as at 1 July 2020	46,439	32,257	78,696
Additions	-	490	490
Disposals	-	303	303
Depreciation	(1,953)	(5,161)	(7,114)
Balance at 30 June 2021	44,486	27,889	72,375
Additions	-	1,960	1,960
Depreciation	(12,133)	(5,353)	(17,486)
Balance at 30 June 2022	32,353	24,496	56,849

Accounting policy for property, plant and equipment

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

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

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

Leasehold improvements	20 years
Plant and equipment	1 to 40 years

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

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

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

Change in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

The company's review of estimates resulted in changes in the useful life of some of Sanctuary Point branch leasehold improvements. The useful life had previously been assessed as 40 years until April 2044. This is now expected to be 20 years until March 2024. The effect of these changes on actual and expected depreciation expense was as follows:

	2022 $	2023 $	2024 $	2025 $	2026+ $
(Decrease) increase in depreciation expense	4,950	3,879	2,973	2,209	(14,011)

NOTE 13. RIGHT-OF-USE ASSETS

	2022 $	2021 $
Land and buildings – right-of-use	358,899	354,471
Less: Accumulated depreciation	(323,784)	(305,933)
	35,115	48,538

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

	Land and buildings	Total $
Balance at 1 July 2020	66,188	66,188
Depreciation expense	(17,650)	(17,650)
Balance at 30 June 2021	48,538	48,538
Remeasurement adjustments	4,428	4,428
Depreciation expense	(17,851)	(17,851)
Balance at 30 June 2022	35,115	35,115

Accounting policy for right-of-use assets

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

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

Refer to note 16 for more information on lease arrangements.

notes to the financial statements

continued for the financial year ended 30 June 2022

NOTE 14. INTANGIBLES

	2022 $	2021 $
Franchise Fee	93,917	93,917
Less: Accumulated amortisation	(90,034)	(87,836)
	3,883	6,081
Franchise renewal fee	169,577	169,577
Less: Accumulated amortisation	(150,529)	(139,542)
	19,048	30,035
	22,931	36,116

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

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	8,278	41,022	49,300
Amortisation expense	(2,197)	(10,987)	(13,184)
Balance at 30 June 2021	6,081	30,035	36,116
Amortisation expense	(2,198)	(10,987)	(13,185)
Balance at 30 June 2022	3,883	19,048	22,931

Accounting policy for intangible assets

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

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

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

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	April 2024
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	April 2024

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

Change in estimates

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

NOTE 15. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Current liabilities		
Trade payables	621	1,745
Other payables and accruals	40,491	49,177
	41,112	50,922
Non-current liabilities		
Other payables and accruals	-	14,865

Accounting policy for trade and other payables

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

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

NOTE 16. LEASE LIABILITIES

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	32,302	30,379
Unexpired interest	(1,952)	(3,150)
	30,350	27,229
Non-current lease liabilities		
Land and buildings lease liabilities	24,515	53,163
Unexpired interest	(482)	(2,265)
	24,033	50,898
Reconcilliation of lease liabilities		
Opening balance	78,127	104,085
Remeasurement adjustments	4,428	-
Lease interest expense	3,167	4,421
Lease payments - total cash outflow	(31,339)	(30,379)
	54,383	78,127
Maturity analysis		
Not later than 12 months	32,302	30,379
Between 12 months and 5 years	24,515	53,163
	56,817	83,542

notes to the financial statements

continued for the financial year ended 30 June 2022

NOTE 16. LEASE LIABILITIES (continued)

Accounting policy for lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

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

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

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

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

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

The company's lease portfolio includes:

Sanctuary Point branch	The lease agreement commenced in March 2004. A 5 year renewal option was exercised in March 2019. The company has no further extension options available. As such, the lease term end date used in the calculation of the lease liability is March 2024. The discount rate used in calculations is 4.79%.

NOTE 17. EMPLOYEE BENEFITS

	2022 $	2021 $
Current liabilities		
Annual leave	16,050	34,428
Long service leave	-	33,740
Sick leave	-	10,223
	16,050	78,391
Non-current liabilities		
Long service leave	12,886	8,020
Sick leave	-	13
	12,886	8,033

Accounting policy for employee benefits

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

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

Superannuation contributions

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

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

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

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

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

NOTE 18. PROVISIONS

	2022 $	2021 $
Lease make good	36,800	35,083

NOTE 18. PROVISIONS (continued)

Lease make good

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at $40,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 March 2024 at which time it is expected the facevalue costs to restore the premises will fall due.

Accounting policy for provisions

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

NOTE 19. ISSUED CAPITAL

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	660,000	660,000	660,000	660,000
Less: equity raising costs	-	-	(35,944)	(35,944)
	660,000	660,000	624,056	624,056

Accounting policy for issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company being $1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

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

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

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

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

NOTE 20. ACCUMULATED LOSSES

	2022 $	2021 $
Accumulated losses at the beginning of the financial year	(41,057)	(13,243)
Loss after income tax benefit for the year	(80,153)	(1,414)
Dividends paid (note 22)	-	(26,400)
Accumulated losses at the end of the financial year	(121,210)	(41,057)

NOTE 21. CAPITAL MANAGEMENT

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

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

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period;

  and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

notes to the financial statements

continued for the financial year ended 30 June 2022

NOTE 21. CAPITAL MANAGEMENT (continued)

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

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

NOTE 22. DIVIDENDS

Dividends provided for and paid during the period

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

	2022 $	2021 $
Fully franked dividend of 4 cents per share	-	26,400

	2022 $	2021 $
Franking Credits		
Franking account balance at the beginning of the financial year	73,685	78,947
Franking credits (debits) arising from income taxes paid (refunded)	(15,920)	4,014
Franking debits from the payment of franked distributions	-	(9,276)
	57,765	73,685
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	57,765	73,685
Franking credits (debits) that will arise from payment (refund) of income tax	(33,035)	(15,920)
Franking credits available for future reporting periods	24,730	57,765

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

NOTE 23. FINANCIAL INSTRUMENTS

	2022 $	2021 $
Financial assets		
Trade and other receivables	52,435	39,125
Cash and cash equivalents	436,008	600,954
	488,443	640,079
Financial liabilities		
Trade and other payables	41,112	65,787
Lease liabilities	54,383	78,127
	95,495	143,914

Accounting policy for financial instruments

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

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

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

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

Financial risk management

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

Market risk

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

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.

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $436,008 at 30 June 2022 (2021: $600,954). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Credit risk

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

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

Liquidity risk

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

Exposure to liquidity risk

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

notes to the financial statements

continued for the financial year ended 30 June 2022

NOTE 23. FINANCIAL INSTRUMENTS (continued)

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	41,112	-	-	41,112
Lease liabilities	32,302	24,515	-	56,817
Total non-derivatives	73,414	24,515	-	97,929

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	50,922	14,865	-	65,787
Lease liabilities	30,379	53,163	-	83,542
Total non-derivatives	81,301	68,028	-	149,329

NOTE 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following persons were directors of Bay & Basin Community Financial Services Limited during the financial year:

Keith Gordon Robinson
Veronica Jean Husted
Paul Michael Lallensack
Sharon Lee Goldsmith
Stephen James Glenday
Mary-Jean Lewis

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.

Compensation
Key management personnel compensation comprised the following.

	2022 $	2021 $
Short-term employee benefits	-	100

One director received a $100 gift voucher

NOTE 25. RELATED PARTY TRANSACTIONS

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

NOTE 26. REMUNERATION OF AUDITORS

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

	2022 $	2021 $
Audit services		
Audit or review of the financial statements	5,200	5,000
Other services		
Taxation advice and tax compliance services	600	600
General advisory services	2,690	2,690
Share registry services	2,334	3,530
	5,624	6,820
	10,824	11,820

NOTE 27. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES

	2022 $	2021 $
Loss after income tax benefit for the year	(80,153)	(1,414)
Adjustments for:		
Depreciation and amortisation	48,522	37,948
Lease liabilities interest	3,167	4,421
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(12,025)	18,343
Increase in income tax refund due	(17,115)	-
Decrease/(increase) in deferred tax assets	6,403	(11,478)
Increase/(decrease) in trade and other payables	(11,161)	24,120
Increase/(decrease) in employee benefits	(57,488)	22,919
Increase in other provisions	1,717	1,641
Net cash provided by/(used in) operating activities	(118,133)	96,500

NOTE 28. EARNINGS PER SHARE

	2022 $	2021 $
Loss after income tax	(80,153)	(1,414)
	Number	**Number**
Weighted-average number of ordinary shares used in calculating basic earnings per share	660,000	660,000
Weighted-average number of ordinary shares used in calculating diluted earnings per share	660,000	660,000
	Cents	**Cents**
Basic earnings per share	(12.14)	(0.21)
Diluted earnings per share	(12.14)	(0.21)

notes to the financial statements

continued **for the financial year ended 30 June 2022**

NOTE 28. EARNINGS PER SHARE (continued)

Accounting policy for earnings per share

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

NOTE 29. COMMITMENTS

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

NOTE 30. CONTINGENCIES

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

NOTE 31. EVENTS AFTER THE REPORTING PERIOD

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

director's declaration

30 June 2022

Bay & Basin Community Financial Services Limited

In the directors' opinion:

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

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

On behalf of the directors

Keith Gordon Robinson
Chair

26 September 2022

independent auditor's report

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Bay & Basin Community Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of 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 2022 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

independent auditor's report
continued

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 7 October 2022

Adrian Downing
Lead Auditor

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Bendigo Bank