Sanctuary Point & Districts Community Bank Branch

annual report 2020

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

Sanctuary Point & Districts Community Bank Branch

annual report 2020

chair's report

INTRODUCTION

I am pleased to once again present this report on matters related to Bay & Basin Community Financial Services Limited (BBCFSL) and its performance for the year ended 30th June, 2020 – to our shareholders, my fellow Board members and our partners in what will be a very different format from previous years.

CORPORATE AFFAIRS

Due to the very stringent and necessary social distancing regulations, we have decided this year to allow shareholders to participate in a Zoom Annual General Meeting. All of the details of this process have been sent to all shareholders. Some may choose to participate in person but we must comply with the rules laid down by The Country Club. Our failure to do so could have an adverse effect on the operations of The Country Club. As one of our long time partners, this is not a choice we can make. We are sure all attendees will understand this step.

SHAREHOLDER DIVIDENDS

Whilst we have faced very uncertain times over the past year, we have been able to approve a payment of 4 cents as a fully franked dividend at the Board meeting held 24th August, 2020. We have been able to prosper, albeit not as well as past time due to conditions beyond our control, which have included drought, bush fires, floods and Covid-19. Our region of the South Coast has been badly battered over the past year and many businesses have struggled to survive. This has had an impact on our business as well.

THE BRANCH

Our Branch Manager will also report on this aspect, but I am pleased to say that we now have 3 senior staff members along with our Branch Manager and Customer Relations Manager. All have shown a real dedication to the community, observing all of the Covid-19 regulations as laid down by Bendigo and the NSW Department of Health. Our customers have also been mindful of these social distancing rules in a patient and courteous manner. Sanitising equipment is available as one enters the Branch and the ATM is wiped down on a regular basis to ensure safety of all.

Covid-19 has also made it very difficult to undertake many of our regular activities, we have not been able to organise our normal Annual Golf Day Charity event, our staff have not been able to visit businesses other than by telephone or social media – but we tell ourselves – this too shall pass.

It is always a pleasure to walk into the Branch and being greeted by friendly and efficient staff.

BOARD MEMBERSHIP

It was with heavy heart that I saw the resignation from the Board of Foty Loupos. Foty has taken on the position of Deputy Principal with one of our high schools in the Shoalhaven and is also working on advanced studies. He was an asset to the Board and will be missed.

I also have to report that my greatest supporter, Geoffrey Ellison decided to step down from the Board but thankfully will continue as a Friend of the Bank. Geoffrey has been a steady hand on the wheel so thankfully he will remain as a Friend so we do not lose his expertise. Geoffrey will continue in his Governance role which sees him liaising with you, our shareholders.

We continue to maintain Lexie McDonald as our Junior Observer, with James Harris, formerly Senior Strategic Planner with Shoalhaven City Council as a Friend of the Bank and George Brown, HR Manager of the Wreck Bay community as an addition to our Human Resources Committee. Both of these people bring a wealth of experience to the Board.

We have had to relinquish our Shoalhaven Cluster as Bendigo instigated some restructuring which saw the clusters change in their composition. I was appointed as the Regional Delegate to a NSW/ACT Marketing Committee. This involves an increase in workload but hopefully will bring benefits to the community.

We have been fortunate in seeing a newly appointed Regional Branch Manager who has bank experience and is well versed in ensuring that myself and the Branch Manager are kept up to date on all aspects of Bendigo's activities.

We are also in the process of working with the Regional Branch Manager and those Branches which were formerly the Shoalhaven Cluster on improving relationships within the sector.

COMMUNITY SUPPORT

The local business forum has had to rely on social media as Covid-19 and social distancing rules determine that we cannot meet in person. Hopefully in the not too distant future we will again be able to meet, talk and share a coffee in our excellent coffee shop.

We held another Community Forum in November 2019 which was very well attended by all aspects of the community, along with Councillors Patricia White and Bob Proudfoot. The community identified many different projects they would like to see in our community. Those have all been collated and I am pleased to note that local Meals on Wheels secured a new oven, and we shared the cost of a safety fence around the Learn to Ride and children's playground in Clifton Park.

The Councillors asked us to attend a meeting with them to discuss Council providing funds to the Bank to prepare a Strategic Plan for the Bay & Basin Community. This was successful with a large sum of money being gifted to the Bank for this project. We were able to secure the expertise of James Harris and Cinnamon Dunsford from Locale Consulting to prepare this plan. We invited a representative from all of the community groups to come together and work our way through this process.

Council have been extremely helpful in all of this even to the provision of space to hold the meetings.

We also participate in a project called Revitalise Sanctuary Point where a group of community members came together to prepare a grant application for this. We were successful in that application with the assistance of Sanctuary Point Community Pride and are in the process of preparing plans. These plans will work with the Strategic Plan.

We have also been asked to assist Council in securing funds for shade coverings of the Learn to Ride and Childrens Playground in Clifton Park.

COMMUNITY MAGAZINE

The About magazine continues to advise the community on activities, provide advertising space for the various tradespeople and providers of services. Peter Spencer and Michelle Graham continue in the roles of producing this wonderful and important magazine for our community.

Lori Hambridge, our fabulous Treasurer takes care of the finances. The collaboration between all of those who contribute to this project is evident and nothing is a problem for them. It remains as my go to publication when I am looking for a tradesperson or service.

GOVERNANCE

We have continued to observe all aspects of the various and changing regulations under which we operate. Geoffrey Ellison, Col Poulter along with Keith Robinson, Company Secretary and Lori Hambridge, Treasurer ensure all rules are followed. We are also fortunate that our new Regional Manager also has a sound understanding of governance.

Geoffrey maintains all communication to our Shareholders in accordance with the appropriate regulations.

There have been many changes during the past year which we have needed to comply. Our Auditors, Australian Financial Services have also worked very hard to ensure we are up to date on all changes which have come about due to Covid-19.

CONCLUSION

I thank all of our Directors, our Treasurer, our Junior Observer and Friends of the Bank, our ever efficient and helpful Branch Manager, Customer Relations Manager, our staff and of course our partners, both in the Community and BEN. Our Directors and Friends give of their time, skills and energy with generosity.

I am indebted to them all for their support over a very difficult time.

Veronica Husted

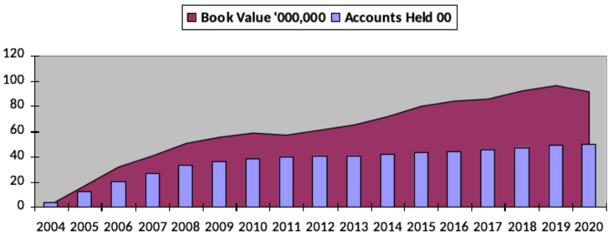
Veronica Husted
Chairperson

manager's report as at 30 June 2020

Financial Performance

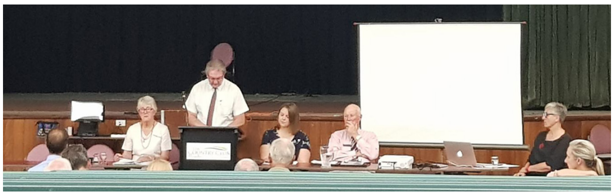
Over the last financial year, the **Sanctuary Point & Districts Community Bank** (the Branch) has achieved a 1.71% increase in its book of business, a commendable effort given the level of competition that exists in the financial sector and the barriers to good business that were evident during this year. In dollar terms, this represents an increase of $1.541 million throughout the year, and a year end position of $91.555 million.

These figures exclude the Financial Planning business that was sold off by our partner, this represented $6.636 million.



In summary, as at the end of 2020 financial year, the Branch's business is represented by:

- A total of 4,987 accounts, a net increase of 86 during the year
- Total book value of $91.555 million
- Loan business of $22.458 million
- Deposit business of $69.097 million



2019 Bay & Basin Community Financial Services Ltd - AGM

Staffing

This year has seen a quite a few changes in the staff at the Community Bank. During the year we saw the completion of our three trainees time with us. Ashlee Fawcett, Elodie Miles and Denzie Town have completed their traineeships and moved on with their personal career choices.

We have completed some selective recruiting during the year and ended up with a solid team of experienced bank officers to serve our customers needs.

Your Sanctuary Point Team

Your Management team:

Keith ROBINSON – (pictured above right) Branch Manager, joined the company 2004

Kerry WELSH – (pictured right) Customer Relationship Manager, joined the company 2013

Your Trainee Customer Service Officers

Dana WILSON – Full time Customer Service Officer, joined the company February 2020. Dana comes to us with nearly 30 years of banking experience, including previous experience with ANZ and Westpac.

Cheryl COLLETT – Part Time Customer Service Officer, joined the company October 2019. Cheryl brings with her extensive banking knowledge and experience from a banking career that spans 20 years, including time with Illawarra Credit Union and Bendigo Bank Oak Flats.

Donna HILLHOUSE – Part Time Customer Service Officer, joined the company June 2020. Donna has banking experience of more than 20 years including time at the Berrima District Credit Union.

Working in the Community

This past year has been an unusual one to say the least. During the first half of the financial year leading up to Christmas your Community Bank was involved in some significant community projects.

A couple of the more notable are:

The Re-Launch of the Crest

100 people helped celebrate the launch of CREST... What a great sight to see the Launch of this grand old lady. Built originally in 1911 by Frederick Dent was relaunched after an 8-year restoration. Bendigo Bank Sanctuary Point was a willing major sponsor in this significant historical restoration.

This Jervis Bay fishing vessel having been on the water first in 1911 is now back on the water 109 years later. A great day and a thank you to all who have contributed. The CREST is now at anchor in the middle of the pond and will be there for all to see for quite a while.

Scholarships 2020

The recipients (left to right)

Rosie Cockrem from Nowra High school is our first TAFE Scholarship recipient. Rosie receives a $5,000 scholarship over 2 years to assist her with her TAFE studies. Rosie is studying Building Design at Wollongong TAFE.

Tara Bellwood from St John the Evangelist High School receives a $10,000 scholarship over 2 years. Tara is going onto study a Bachelor of Medical Science at Western Sydney University

Jackie Milani from Vincentia High School receives $10,000 scholarship over 2 years. Jackie is going onto study a Bachelor of Medical and Health Science at Wollongong University.

<u>Support for local RFS</u>

Crossroads Rural Fire Brigade would like to thank Bendigo Community Bank in Sanctuary Point for their generous Donations of new Radio Batteries and a new Radio. They are vital equipment resources for our Fire Fighters communication operations on the Fireground.

<u>Community Forum</u>

During November the bank organised a Community Forum to discuss the needs of the Bay & Basin area. A group of around 60 people were there representing all sorts of groups and organisations locally.

The night was a great success with some fantastic ideas spoken about and recorded.

After the Forum there will be a small working group created to progress these ideas and put some actions behind these "big ideas". The group will work closely with council and other interested parties.

2020 Wrap

2020 has been a year to remember. The first half at the end of 2019 was business as usual with some good results and achievements for your Community Bank. New Years Eve saw a whole new set of circumstances locally with some of the worst bushfires this area has seen, personally this resulted in me not being able to get home from work that night. The effect of the fires is still being felt locally.

Things seemed to be just getting back to normal when we started hearing about a virus that was causing some problems in China and it didn't take long to find its way to our shores and before we knew it society and business was shut down. We have been slowly recovering ever since then and as I write this Victoria is still in Stage 4 Lockdown. I believe we have a long way out of this virus caused recession and the effects are going to be felt for some years to come.

The economic conditions we have ended up with following the shutdowns sees record low interest rates with home loans being offered on the market as low as 1.99% and term deposits yielding less than 1%, the property and share markets have taken a beating with shares values some 25% below their prices at the start and property some 15% lower on average. This all leads to lower profit margins and income levels for Community Banks.

During these difficult times I have had the privilege to see a small dedicated team of staff and directors come together with a common goal to work through conditions that have not been seen before to continue to provide exceptional service and benefits for the people of the Bay & Basin. Your Community Bank never faltered and never closed its doors as many businesses did during these tough times.

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

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

Keith G Robinson –
Branch Manager

sponsorships/ grant allocations 2019-2020 Financial Year

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

These included:-

- Bay & Basin Community Radio
- Sanctuary Point Public School
- Vincentia Primary School
- Jervis Bay Public School
- Cancer Care Support Group
- St Georges Basin Country Club Men's Golf
- St Georges Basin Bowls
- Vincentia Golf Club
- Vietnam Veterans Golf
- Community Enterprise Foundation
- Sanctuary Point Community Pride Group
- St Georges Basin Football Club
- Youth Awards (local schools)
- Jervis Bay Fishing Club
- Seechange Arts Festival
- "About" monthly newsletter
- KidsFix Foundation
- Wildlife Rescue South Coast
- St Georges Basin Fishing Club
- Bay & Basin Bombers
- Erowal Bay Tennis
- Jervis Bay Maritime Museum

directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2020.

DIRECTORS

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

Veronica Jean Husted **Chair** Occupation: Retired Library Assistant	Qualifications, experience and expertise: Library Assistant, NSW Public Schools, Women's Employment Officer, NSW Public Service, Deputy Chair of Southern Cross Community Housing, President of Crossroads Rural Fire Brigade, Secretary of Sanctuary Point Community Pride Inc. and previous involvement in many aspects of the community. Has Certificate IV in Workplace Training and Assessment and a Diploma in Labour Law. *Special Responsibilities:* Chair of Bay & Basin CFSL, Community Affairs, Human Resources Committees. *Interest in shares:* 500 ordinary shares
Colin Kenneth Poulter **Non-Executive Director** Occupation: Retired	Qualifications, experience and expertise: Bachelors of Engineering (Civil), Graduate Diploma in Management (Marketing). General Manager in the Engineering, Construction and IT industries. Owner of a management consulting business, EXSIGHT International since 1999. Currently providing business coaching, mentoring and consulting services. *Special Responsibilities:* Governance Committee. *Interest in shares:* Nil share interest held
Keith Gordon Robinson **Executive Director** *(appointed 26th August 2019)* Occupation: Bank Manager	Qualifications, 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 *Interest in shares:* Nil share interest held
Mary-Jean Lewis **Non-Executive Director** *(appointed 23rd September 2019)* Occupation: Lawyer	Qualifications, 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:* Nil *Interest in shares:* Nil share interest held
Geoffrey McNiel Clark Ellison **Deputy Chair** *(resigned 29th July 2020)* Occupation: Chartered Accountant & Business Advisor	Qualifications, experience and expertise: Chartered Accountant, Retired Insolvency Practitioner. Previous: Partner 2nd tier Chartered Accountancy practice. Current: Director/Treasurer Regional Maritime Museum, Trustee RSL Sub Branch. Mentor & Presenter Business Professional Association. *Special Responsibilities:* Chair of Governance & Audit Committee. *Interest in shares:* 1,000 ordinary shares

directors' report continued

Foty Gregory Loupos **Non-Executive Director** *(resigned 22nd June 2020)* Occupation: School Executive	Qualifications, experience and expertise: Deputy Principal at Nowra High School, Lecturer Tutor and Trainer. Counsellor, Traditional Chinese medicine Therapist and Clinical Hypnotherapist. Business Development, Consultancy and Mercantile Agent. Qualifications include Bachelor of Commerce - Hospitality Management & Marketing at UNSW, Diploma of Project Management - Organisational Management via Projects, Certificate IV Workplace Training & Assessment, Master Teaching USYD, Master Eduction CSU, PhD candidature - Leadership and Strategy UoW. *Special Responsibilities:* Marketing, Media & Management Committee. *Interest in shares:* Nil share interest held
Ian Spencer Frank Mackelden **Non-Executive Director** *(resigned 27th August 2019)* Occupation: Retired	Qualifications, experience and expertise: Involvement as previous Vice President Lady Denman Maritime Museum. Advisor to Board – Australian Skin and Cancer Foundation. Past Board Director of Clemenger BBDO Direct, BBDC Direct New York and Lintas Advertising (Unilever). Accredited MBA – International Management, Tuck School of Business Dartmouth College – New Hampshire USA. Director of Business Development Asia Pacific Wonderman Y&R Advertising. *Special Responsibilities:* Marketing, Media & Management Committee. *Interest in shares:* Nil share interest held
Anne Stonham **Non-Executive Director** *(resigned 2nd October 2019)* Occupation: General Manager	Qualifications, experience and expertise: Currently General Manager, Corporate Services for a community housing organisation. Previous roles include 30 years' experience as a Financial Manager in Federal Government and Community Services and 12 months experience in the Commonwealth Bank. Holds an Advanced Diploma of Accounting and Graduate Certificate in Management. Skills include Financial Management, Governance and Humane Resource Management. *Special Responsibilities:* Community Affairs Committee & Human Resources Committee. *Interest in shares:* Nil share interest held

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

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

COMPANY SECRETARY

The company secretary is Keith Gordon Robinson. Keith was appointed to the position of secretary on 25 August 2010. Qualifications, experience and expertise: Keith holds a Diploma in Business and has experience in the finance sector, as well as the real estate industry.

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June	
	2020 $	2019 $
	68,522	77,946

DIRECTORS' INTERESTS

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Veronica Jean Husted	500	-	500
Colin Kenneth Poulter	-	-	-
Keith Gordon Robinson	-	-	-
Mary-Jean Lewis	-	-	-
Geoffrey McNiel Clark Ellison	1,000	-	1,000
Foty Gregory Loupos	-	-	-
Ian Spencer Frank Mackelden	-	-	-
Anne Stonham	-	-	-

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

DIVIDENDS

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

	Cents per share	Total amount $
Final Fully Franked Dividend	5.00	33,000
Total amount	5.00	33,000

NEW ACCOUNTING STANDARDS IMPLEMENTED

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*. See note 4 for further details.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID-19 to the company's operations.

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 4 cents per share, to be paid on 16 November 2020. The financial impact of the dividend, amounting to $26,400, has not been recognised in the financial statements for the financial year ended 30 June 2020, and will be recognised in the subsequent financial statements.

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

DIRECTORS' BENEFITS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

directors' report continued

DIRECTORS' MEETINGS

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

	Board Meetings Attended		Committee Meetings Attended: Governance & Audit		Human Resources		Marketing, Media & Management		Strategic Planning		Community	
	E	A	E	A	E	A	E	A	E	A	E	A
Veronica Jean Husted	11	10	-	-	8	8	-	-	-	-	4	4
Colin Kenneth Poulter	11	10	7	7	-	-	-	-	3	3	-	-
Keith Gordon Robinson	11	9	-	-	8	8	7	7	-	-	4	4
Mary-Jean Lewis	11	6	-	-	3	3	-	-	-	-	-	-
Geoffrey McNiel Clark Ellison	11	10	7	7	-	-	-	-	3	3	-	-
Foty Gregory Loupos	11	6	-	-	-	-	7	5	-	-	4	4
Ian Spencer Frank Mackelden	2	2	-	-	-	-	-	-	-	-	-	-
Anne Stonham	2	2	-	-	3	3	-	-	-	-	-	-

E - Eligible to attend, A - Number attended

2019 ANNUAL REPORT CORRECTION Page 19 - Table of Committee meetings attended by Directors. In that table former Director, David Walsh is shown as not attending any Governance & Audit Committee meetings - this is misleading. In fact the Governance & Audit chair, on the instructions of the Board dealt with the preeminent matter of negotiating the new Franchise Agreement from October 2018 to early April 2019 and any other matters deemed necessary during the financial year ended 30 June 2019. Accordingly David was not required to attend GAAC meetings from 1 July 2018 to 6 March 2019, the date of his resignation. The Board apologises for any inconvenience caused by this error.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Governance and Audit Committee, 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 Governance and Audit Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- 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 a decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13. Signed in accordance with a resolution of the board of directors at Sanctuary Point, New South Wales on 14th September 2020.

Veronica Husted

Veronica Jean Husted, Chair

auditor's independence declaration

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

As lead auditor for the audit of Bay & Basin Community Financial Services Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 14 September 2020

Joshua Griffin
Lead Auditor

statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	595,444	701,620
Other revenue	9	147,511	116,751
Finance income	10	6,096	9,164
Employee benefit expenses	11c)	(369,340)	(384,038)
Charitable donations, sponsorship, advertising and promotion		(41,319)	(59,954)
Occupancy and associated costs		(23,424)	(50,244)
System costs		(19,705)	(20,161)
Depreciation and amortisation expense	11a)	(37,877)	(20,973)
Finance costs	11b)	(7,197)	-
General adminstration expenses		(169,010)	(184,653)
Profit before income tax expense		**81,179**	**107,512**
Income tax expense	12a)	(12,657)	(29,566)
Profit after income tax expense		**68,522**	**77,946**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**68,522**	**77,946**
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	10.38	11.81

The accompanying notes for part of these financial statements

balance sheet

as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	13a)	575,539	556,852
Trade and other receivables	14a)	66,454	71,461
Current tax assets	18a)	8,197	-
Total Current Assets		**650,190**	**628,313**
Non-Current Assets			
Property, plant and equipment	15a)	78,696	83,525
Right-of-use assets	16a)	66,188	-
Intangible assets	17a)	49,300	62,483
Deferred tax asset	18b)	22,651	2,914
Total Non-Current Assets		**216,835**	**148,922**
Total Assets		**867,025**	**777,235**
LIABILITIES			
Current Liabilities			
Trade and other payables	19a)	25,450	29,908
Current tax liabilities	18a)	-	9,755
Lease liabilities	20b)	25,958	-
Employee benefits	22a)	60,068	47,897
Total Current Liabilities		**111,476**	**87,560**
Non-Current Liabilities			
Trade and other payables	19b)	29,730	44,596
Lease liabilities	20c)	78,127	-
Employee benefits	22b)	3,437	14,055
Provisions	21a)	33,442	-
Total Non-Current Liabilities		**144,736**	**58,651**
Total Liabilities		**256,212**	**146,211**
Net Assets		**610,813**	**631,024**
Equity			
Issued capital	23a)	624,056	624,056
Retained earnings/(accumulated losses)	24	(13,243)	6,968
Total Equity		**610,813**	**631,024**

The accompanying notes for part of these financial statements

statement of changes in equity

for the financial year ended 30 June 2020

	Notes	Issued Capital $	Retained earnings/ (accumulated losses) $	Total Equity $
Balance at 1 July 2018		624,056	(37,978)	586,078
Total comprehensive income for the year		-	77,946	77,946
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(33,000)	(33,000)
Balance at 30 June 2019		**624,056**	**6,968**	**631,024**
Balance at 1 July 2019		624,056	6,968	631,024
Effect of AASB 16: Leases	3d)	-	(55,733)	(55,733)
Restated balance at 1 July 2019		624,056	(48,765)	575,291
Total comprehensive income for the year		-	68,522	68,522
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(33,000)	(33,000)
Balance at 30 June 2020		**624,056**	**(13,243)**	**610,813**

statement of cashflows

for the financial year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		823,864	899,321
Payments to suppliers and employees		(696,323)	(768,038)
Interest received		6,096	9,164
Lease payments (interest component)	11b)	(5,633)	-
Lease payments not included in the measurement of lease liabilities	11d)	(6,995)	-
Income taxes paid		(29,210)	(38,498)
Net cash provided by operating activities	25	**91,799**	**101,949**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,214)	(1,887)
Payments for intangible assets		(13,151)	(13,184)
Net cash used in investing activities		**(15,365)**	**(15,071)**
Cash flows from financing activities			
Lease payments (principal component)	20a)	(24,747)	-
Dividends paid	29a)	(33,000)	(33,000)
Net cash used in financing activities		**(57,747)**	**(33,000)**
Net cash increase in cash held		**18,687**	**53,878**
Cash and cash equivalents at the beginning of the financial year		556,852	502,974
Cash and cash equivalents at the end of the financial year	13a)	**575,539**	**556,852**

The accompanying notes for part of these financial statements

notes to the financial statements

for the financial year ended 30 June 2020

NOTE 1. REPORTING ENTITY

This is the financial report for Bay & Basin Community Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office
1/200 Kerry Street, Sanctuary Point NSW 2540

Principal Place of Business
1/200 Kerry Street, Sanctuary Point NSW 2540

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

NOTE 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 14 September 2020.

NOTE 3. CHANGES IN ACCOUNTING POLICIES, STANDARDS AND NTERPRETATIONS

The company initially applied AASB 16 *Leases* from 1 July 2019. AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 20.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

b) As a lessee

As a lessee, the company leases assets including property and IT equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

Leases classified as operating leases under AASB 117

Previously, the company classified property, office equipment, and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

The practical expedients include that the company:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of

notes to the financial statements continued

for the financial year ended 30 June 2020

the date of initial application;

- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

c) As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

d) Impact on financial statements

On transition to AASB 16, the company recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	Note	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16b)	83,838
Deferred tax asset	18b)	21,140
Liability		
Lease liabilities	20a)	(128,833)
Provision for make-good	21b)	(31,878)
Equity		
Retained earnings/(accumulated losses)		(55,733)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	144,301
Less: present value discounting	(15,468)
Lease liability as at 1 July 2019	128,833

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

a) Revenue from contracts with customers

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

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

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

Revenue	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 Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo 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 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 that 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue from contracts with customers (continued)

Ability to change financial return (continued)

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.

b) Other revenue

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	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).
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 Goods and Services Tax (GST).

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

During the financial year, 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 businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is 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 when the cash flow of the company improves.

c) Economic dependency - Bendigo Bank

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.

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised 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.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

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 estimate future cash outflows.

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

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Current income 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.

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.

Goods and Services Tax

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.
- when receivables and payables are stated with the amount of GST included.

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

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Taxes (continued)

Goods and Services Tax (continued)

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.

f) 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, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 15 years
Plant and equipment	Straight-line	2.5 to 40 years

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

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term
Franchise renewal process fee	Straight-line	Over the franchise term

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset or 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, leases.

Sub-note i) and j) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at

FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost –
  These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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.

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on its trade receivables.

ECL's 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.

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

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of expected credit losses in financial statements

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 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 impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

k) Issued capital

Ordinary shares

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

l) Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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 zero.

<u>Short-term leases and leases of low-value assets</u>

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is lease that, at commencement date, has a lease term of 12 months or less.

<u>As a lessor</u>

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

<u>As a lessee</u>

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

<u>As a lessor</u>

The company has not been a party in an arrangement where it is a lessor.

n) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

NOTE 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

Note	Judgement
Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
Note 8 - revenue recognition	estimate of expected returns;
Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
Note 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

NOTE 6. FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

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 of directors.

a) 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 has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

b) 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.

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Great than five years
Lease liabilities	104,085	30,379	83,542	-
Trade payables	3,379	3,379	-	-
	107,464	33,758	83,542	-

30 June 2019		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Great than five years
Trade payables	3,013	3,013	-	-
	3,013	3,013	-	-

c) Market risk

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 at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $575,539 at 30 June 2020 (2019: $556,852). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

NOTE 7. CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of 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:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2020 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.

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 8. REVENUE FROM CONTRACTS WITH CUSTOMERS

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	595,444	701,620
	595,444	701,620
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	506,410	465,809
- Fee income	63,634	73,232
- Commission income	25,400	162,579
	595,444	701,620

There was no revenue from contracts with customers recognised over time during the financial year.

NOTE 9. OTHER REVENUE

The company generated other sources of revenue from discretionary contributions received from the franchisor and Cash flow boost income from the Australian Government.

	2020 $	2019 $
Other revenue		
Revenue:		
- Market development fund income	35,000	35,000
- Cash flow boost	39,909	-
- Community newsletter	70,258	81,751
- Other income	2,344	-
	147,511	116,751

NOTE 10. FINANCE INCOME

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 $	2019 $
Finance income		
At amortised cost:		
- Term deposits	6,096	9,164
	6,096	9,164

NOTE 11. EXPENSES

	Note	2020 $	2019 $
a) Depreciation and amortisation expense			
Depreciation of non-current assets:			
- Leasehold improvements		1,954	1,954
- Plant and equipment		5,089	5,276
		7,043	7,230
Depreciation of right-of-use assets			
- Leased land and buildings		17,650	-
		17,650	-
Amortisation of intangible assets:			
- Franchise fee		2,197	2,271
- Franchise renewal process fee		10,987	11,472
		13,184	13,743
Total depreciation and amortisation expense		37,877	20,973

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4g and 4h).

	Note	2020 $	2019 $
b) Finance costs			
- Lease interest expense	20a)	5,633	-
- Unwinding of make-good provision		1,564	-
		7,197	-

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

	Note	2020 $	2019 $
c) Employee benefit expenses			
Wages and salaries		330,100	326,346
Contributions to defined contribution plans		30,968	30,169
Expenses related to long service leave		(7,813)	9,431
Other expenses		16,085	18,092
		369,340	384,038

	Note	2020 $	2019 $
d) Recognition exemption			
The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.			
Expenses relating to low-value leases		6,995	-
		6,995	-

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

notes to the financial statements continued
for the financial year ended 30 June 2020

NOTE 12. INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	11,256	28,778
- Movement in deferred tax	(21,046)	788
- Adjustment to deferred tax on AASB 16 retrospective application	21,140	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	1,307	-
	12,657	29,566

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $1,307 related to the remeasurement of deferred tax assets and liabilities of the company.

	2020 $	2019 $
b) *Prima facie* income tax reconciliation		
Operating profit before taxation	81,179	107,512
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	22,324	29,566
Tax effect of:		
- Non-deductible expenses	-	479
- Temporary differences	(94)	(1,267)
- Other assessable income	(10,974)	-
- Movement in deferred tax	(21,046)	788
- Reduction in company tax rate	1,307	-
- Leases initial recognition	21,140	-
	12,657	29,566

NOTE 13. CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 $	2019 $
- Cash at bank and on hand	173,048	160,227
- Term deposits	402,491	369,625
	575,539	556,852

NOTE 14. TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
a) Current assets		
Trade receivables	50,094	58,283
Prepayments	9,160	10,101
Other receiables and accruals	7,200	3,077
	66,454	71,461

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
a) Carrying amounts		
Leasehold improvements		
At cost	78,165	78,165
Less: accumulated depreciation and impairment	(31,726)	(29,772)
	46,439	48,393
Plant and equipment		
At cost	137,395	135,181
Less: accumulated depreciation	(105,138)	(100,049)
	32,257	35,132
Total written down amount	78,696	83,525

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

b) Reconcillation of carrying amounts		
Leasehold improvements		
Carrying amount at beginning	48,393	50,347
Depreciation	(1,954)	(1,954)
Carrying amount at end	46,439	48,393
Plant and equipment		
Carrying amount at beginning	35,132	40,262
Additions	2,214	1,887
Disposals	-	(1,741)
Depreciation	(5,089)	(5,276)
Carrying amount at end	32,257	35,132
Total written down amount	78,696	83,525

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 16. RIGHT-OF-USE ASSETS

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

	Note	2020 $	2019 $
a) Carrying amounts			
Leased land and buildings			
At cost		354,471	-
Less: accumulated depreciation		(288,283)	-
Total written down amount		66,188	-
b) Reconciliation of carrying amounts			
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	354,471	-
Accumulated depreciation on adoption	3d)	(270,633)	-
Depreciation		(17,650)	-
Carrying amount at end		66,188	-

NOTE 17. INTANGIBLE ASSETS

	2020 $	2019 $
a) Carrying amounts		
Franchise Fee		
At cost	93,917	93,917
Less: accumulated depreciation	(85,639)	(83,441)
	8,278	10,476
Franchise renewal process fee		
At cost	169,577	169,577
Less: accumulated depreciation	(128,555)	(117,570)
	41,022	52,007
Total written down amount	49,300	62,483
		-
b) Reconciliation of carrying amounts		
Franchise Fee		
Carrying amount at beginning	10,476	1,759
Additions	-	10,988
Amortisation	(2,198)	(2,271)
Carrying amount at end	8,278	10,476

	2020 $	2019 $
Franchise renewal process fee		
Carrying amount at beginning	52,007	8,548
Additions	-	54,931
Amortisation	(10,985)	(11,472)
Carrying amount at end	41,022	52,007
Total written down amount	49,300	62,483

c) Changes 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 18. TAX ASSETS AND LIABILITIES

	2020 $	2019 $
a) Current tax		
Income tax payable/(refundable)	(8,197)	9,755

b) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	798	(18)	-	780
- employee provisions	17,037	(526)	-	16,511
- make-good provision	-	(71)	8,766	8,695
- lease liability	-	(8,367)	35,429	27,062
Total deferred tax assets	17,835	(8,983)	44,196	53,048
Deferred tax liabilities				
- income accruals	722	(39)	-	683
- property, plant and equipment	14,199	(1,694)	-	12,505
- right-of-use assets	-	(5,846)	23,055	17,209
Total deferrred tax assets (liabilities)	14,921	(7,579)	23,055	30,397
Net deferred tax assets (liabilities)	2,914	(1,403)	21,140	22,651

Movement in the company's deferred tax balances for the year ended 30 June 2019:

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 18. TAX ASSETS AND LIABILITIES (continued)

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	770	28	-	798
- employee provisions	13,787	3,250	-	17,037
Total deferred tax assets	14,557	3,2778	-	17,835
Deferred tax liabilities				
- income accruals	722	-	-	722
- property, plant and equipment	10,133	4,066	-	14,199
Total deferred tax liabilities	10,855	4,066	-	14,921
Net deferred tax assets (liabilities)	3,702	(788)	-	2,914

c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

NOTE 19. TRADE CREDITORS AND OTHER PAYABLES

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

	2020 $	2019 $
a) Current liabilities		
Trade creditors	3,379	3,013
Other creditors and accruals	22,071	26,895
	25,450	29,908
b) Non-current liabilities		
Other creditors and accruals	29,730	44,596
	29,730	44,596

NOTE 20. 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 on the adoption date. The discount rate used on recognition was 4.79%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

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

Lease portfolio

The company's lease portfolio includes:

- Sanctuary Point Branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in March 2004. An extension option term of five years was exercised in March 2009, 2014 and 2019. The lease has no further extension options available.

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.

a) Lease liability measurement

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.

	Note	2020 $	2019 $
Lease liabilities on transition			
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	128,833	-
Lease payments - interest		5,633	-
Lease payments		(30,381)	-
		104,085	-
b) Current lease liabilities			
Property lease liabilities		30,379	-
Unexpired interest		(4,421)	-
		25,958	-
c) Non-current lease liabilities			
Property lease liabilities		83,542	-
Unexpired interest		(5,415)	-
		78,127	-
d) Maturity analysis			
- Not later than 12 months		30,379	-
- Between 12 months and 5 years		83,542	-
Total undiscounted lease payments		113,921	-
Unexpired interest		(9,836)	-
Present value of liease liabilities		104,085	-

e) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a increase in profit after tax of $4,012.

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 20. LEASE LIABILITIES continued

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	30,381	(30,381)	-
- Depreciation and amortisation expense	-	17,650	17,650
- Finance costs	-	7,197	7,197
Decrease in expenses - before tax	30,381	(5,534)	24,847
- Income tax expense / (credit) - current	(8,355)	8,355	-
- Income tax expense / (credit) - deferred	-	(6,833)	(6,833)
Decrease in expenses - after tax	22,026	(4,012)	18,014

NOTE 21. PROVISIONS

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

	2020 $	2019 $
a) Non-current liabilities		
Make-good on leased premises	33,442	-
	33,442	-

b) Make-good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term.

The company has estimated the provision 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.

	Note	2020 $	2019 $
Provision			
Face-value of make-good costs recognised	3d)	40,000	-
Present value discounting	3d)	(8,122)	-
Present value unwinding	3d)	1,564	-
		33,442	-

c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

The lease is due to expire on 31 March 2024 at which time it is expected the face-value costs to restore the premises will fall due.

The financial effect of the reassessment, assuming no changes in the above judgements and estimates, on actual and expected finance costs and provisions was as follows:

	2020	2021	2022	2023	2024+
Profit or loss					
Expense:					
- Finance costs	1,561	1,636	1,718	1,801	1,406
Statement of financial position					
Liability					
- Make-good provision	33,439	35,075	36,793	38,594	40,000

NOTE 22. EMPLOYEE BENEFITS

	2020 $	2019 $
a) Current liabilities		
Provision for annual leave	28,420	19,054
Provision for long service leave	31,648	28,843
	60,068	47,897
b) Non-current liabilities		
Provision for long service leave	3,437	14,055
	3,437	14,055

c) Key judgement and assumptions

Employee attrition rates

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.

NOTE 23. ISSUED CAPITAL

	2020		2019	
a) Issued capital	Number	$	Number	$
Ordinary shares - fully paid	660,000	660,000	660,000	660,000
Less: equity raising costs	-	(35,944)	-	(35,944)
	660,000	624,056	660,000	624,056

b) 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.

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 23. ISSUED CAPITAL continued

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 24. RETAINED EARNINGS (ACCUMULATED LOSSES)

	Note	2020 $	2019 $
Balance at beginning of reporting period		6,968	(37,978)
Adjustment for transition to AASB 16	3d)	(55,733)	-
Net profit after tax from ordinary activities		68,522	77,946
Dividends provided for or paid	29a)	(33,000)	(33,000)
Balance at end of reporting period		(13,243)	6,968

NOTE 25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2020 $	2019 $
Net profit after tax from ordinary activities		68,522	77,946
Adjustments for:			
- Depreciation		24,693	7,230
- Amortisation		13,184	13,743
- (Profit) / loss of disposal of non-current assets		-	1,741
Changes in assets and liabilities			
- (Increase) / decrease in trade and other receivables		5,008	(3,138)
- (Increase) / decrease in other assets		(6,796)	788
- Increase / (decrease) in trade and other payables		(6,175)	1,541
- Increase / (decrease) in employee benefits		1,553	11,818
- Increase / (decrease) in provisions		1,565	-
- Increase / (decrease) in tax liabilities		(9,755)	(9,720)
Net cash flows provided by operating activities		91,799	101,949

NOTE 26. FINANCIAL INSTRUMENTS

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	57,294	61,360
Cash and cash equivalents	13	173,048	160,227
Term deposits	13	402,491	396,625
		632,833	618,212
Financial liabilities			
Trade and other payables	19	3,379	3,013
Lease liabilities	20	104,085	-
		107,464	3,013

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 27. AUDITOR'S REMUNERATION

	Note	2020 $	2019 $
Amount received or due and receivalbe by the auditor of the company for the first year.			
Audit and review services			
- Audit and review of financial statements		4,800	4,600
		4,800	4,600
Non audit services			
- Taxation advice and tax compliance services		600	600
- General advisory services		3,825	1,830
- Share registry services		3,790	1,885
		8,215	4,315
Total auditor's remuneration		13,015	8,915

NOTE 28. RELATED PARTIES

a) Details of key management personnel

The directors of the company during the financial year were:

Veronica Jean Husted
Colin Kenneth Poulter
Keith Gordon Robinson
Mary-Jean Lewis
Geoffrey McNiel Clark Ellison
Foty Gregory Loupos
Ian Spencer Frank Mackelden
Anne Stonham

b) Key management personnel compensation

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.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

NOTE 29. DIVIDENDS PROVIDED FOR OR PAID

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and the statement of cash flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	5.00	33,000	5.00	33,000
Total dividends paid during the financial year	5.00	33,000	5.00	33,000

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

b) Dividends proposed not recognised at balance date

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 4 cents per share, to be paid on 16 November 2020. The financial impact of the dividend, amounting to $26,400, has not been recognised in the financial statements for the financial year ended 30 June 2020, and will be recognised in the subsequent financial statements.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	4.00	26,400	-	-
Total dividends declared subsequent to financial year end	4.00	26,400	-	-

The tax rate at which future dividends will be franked is 26%.

	2020 $	2019 $
c) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	62,256	36,275
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	27,043	22,857
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	2,165	15,641
- Franking debits from the payment of franked distributions	(12,517)	(12,517)
Franking account balance at the end of the financial year	78,947	62,256
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(8,197)	9,755
Franking credits available for future reporting periods	70,750	72,011

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

NOTE 30. EARNINGS PER SHARE

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	Note	2020 $	2019 $
Profit attributable to ordinary shareholders		68,522	77,946
		Number	Number
Weighted-average number of ordinary shares		660,000	660,000
		Cents	Cents
Basic and diluted earnings per share		10.38	11.81

notes to the financial statements continued

for the financial year ended 30 June 2020

NOTE 31. COMMITMENTS

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 20).

	2020 $	2019 $
Operating lease commitments - lesee		
Non-cancellable operating leases contract for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	30,379
- between 12 months and 5 years	-	113,922
Minimum lease payments payable	-	144,301

b) Other commitments

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

NOTE 32. CONTIGENCIES

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

NOTE 33. SUBSEQUENT EVENTS

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

director's declaration

year ended 30 June 2020

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

In the opinion of the directors:

a. the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

   ii. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Veronica Husted

Veronica Jean Husted, Chair
Signed on 14th of September 2020

independent auditor's report

Partners in success
Chartered Accountants

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

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

Report on the audit of the financial report

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

i. giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

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

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

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES* 110 *Code of Ethics for Professional Accountants (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.

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.

Partners in success

Chartered Accountants

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

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

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

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

Directors’ responsibility for the financial report

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

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

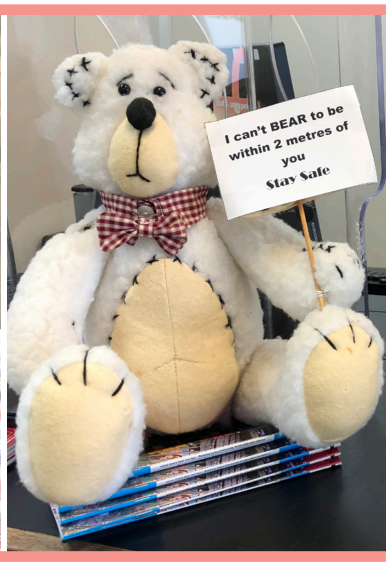
Auditor’s responsibility for the audit of the financial report

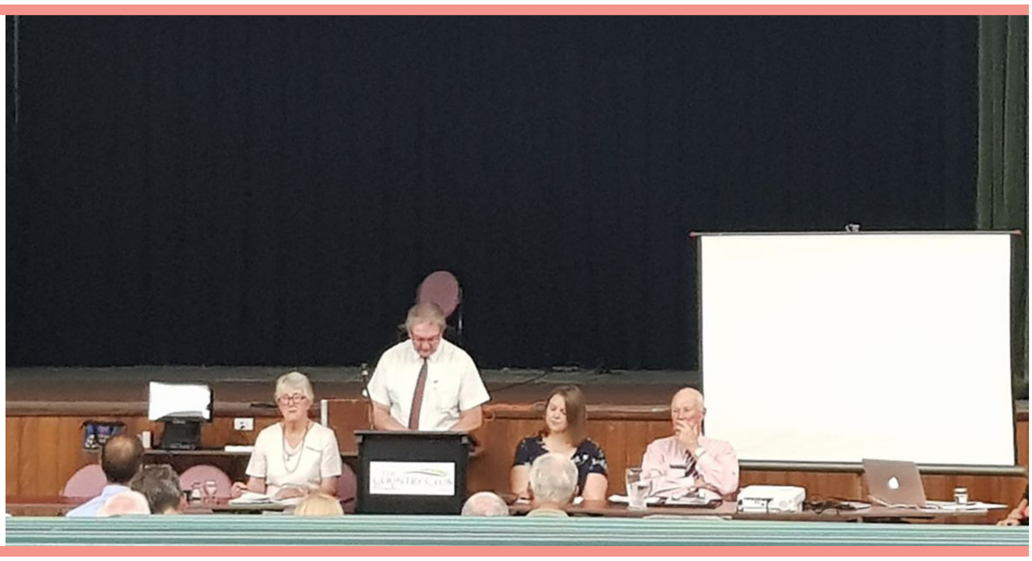
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 14 September 2020

Joshua Griffin
Lead Auditor





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