

Annual Report 2021

Bay & Basin Community
Financial Services Limited

Community Bank
Sanctuary Point & Districts

ABN 62 105 756 063

Sanctuary Point & Districts Community Bank Branch

annual report 2021

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chair's report



INTRODUCTION

I am pleased to present this report on matters related to Bay & Basin Community Financial Services Limited (BBCFSL) and its performance for the year ended 30th June, 2021 – to our Shareholders, my fellow Board Members and our partners in what has been a very difficult year. This report is presented from my new home in the country town of Howlong, which is a part of the Albury/Wodonga bubble.

CORPORATE AFFAIRS

We must inform you that once again, due to ongoing COVID restrictions which have arisen due to the Delta virus, this year's AGM will again be held virtually via Teams. This has been a particularly virulent strain that has seen vast swathes of the country in lockdown.

Details will again be sent to all shareholders and we urge you to participate via the medium selected by the Board. Letters, copies of the reports and any other relevant documents and information will be sent out either electronically where possible, otherwise by postal means. Let us hope that in 2022 we can again meet up in person and share information and stories of how we survived.

SHAREHOLDER DIVIDENDS

Due to the uncertainty of trading, with the pandemic with which we have been facing over the past 18 months, the Board had no choice but to take the unwelcome step of not paying a dividend this year. This is the first time since we began paying dividends that we have had to take this step. I am sure, as a shareholder myself, that all of our shareholders understand this decision.

THE BRANCH

Our Branch Manager will also report on this aspect with particular attention given to the change of job title for Kerry Welsh who is now the Community Lending Specialist with a new role and responsibilities. Her task has been a challenge with the difficulties of the COVID pandemic and the rules and regulations pertaining to carrying out her duties. Kerry has had to find other ways of contacting potential customers and I feel confident that she will handle these issues well.

I am pleased with the support provided to us by Bendigo Bank in training and assisting our staff in their day to day duties. We carefully follow all of the rules set down by the NSW Department of Health and it is pleasing to note that our customers are mindful of those rules. I am aware that the constant wearing of masks can be tiring but the health and safety of staff and customers alike must over ride that discomfort.

BOARD MEMBERSHIP

There have been some changes in the Board due to Directors moving from the area, however we have been able to secure replacements who have worked well.

Our previous Junior Observer, Lexie McDonald has stepped down in order to pursue her career in accountancy and were fortunate in securing Oliver Griffiths, a Year 12 student and School Captain from Vincentia High School as her replacement. Oliver has been very impressive in his aptitude and willingness to learn. He will go far in life that young man.

While I had been appointed as the Regional Delegate for NSW/ACT Marketing Committee but made the decision to step away from that position as I considered it too time consuming and unproductive.

Our Regional Manager who was a welcome addition has been seconded to a new position in the Bendigo system. We have a replacement who has also been working well with our Branch Manager and staff. We just get used to one person and then find us with another and do not know how long this situation will last.

COMMUNITY SUPPORT

The grant provided to the Bank by Shoalhaven City Council has been used by a consultant employed by the Bank in concert with James Harris, Friend of the Bank and representatives of community groups across the Bay & Basin area to put together a Strategic Plan for our area. The process has been challenging at times, but driven by Cinnamon Dunsford and James Harris, Friend of the Bank, a final result will be worth the effort and time.

Council also kindly provided us with a rent free facility for the duration of the plan preparation. This is further evidence of the strong support enjoyed between the Bank and Council. We are fortunate to have elected Councillors in our wards who work for the community.

We have also been involved in the consultative process for the new library to be built in Sanctuary Point.

This will be a huge benefit to the community and should see an increased traffic flow as the building will be constructed virtually next door to the Bank. I am proud to have been a part of this fabulous new building and facility for Sanctuary Point and the District as a whole. As a retired high school librarian, this wonderful new facility will be a great benefit to the entire Bay & Basin Community.

There is nothing quite like the pleasure of visiting a well run, well resourced library and one which is so richly deserved by the community.

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 continue to observe all aspects of the various and changing regulations under which we operate.

The Governance committee, under the guidance of Geoffrey Ellison, with Col Poulter, Paul Lallensack, Keith Robinson, Company Secretary and Lori Hambridge, Treasurer ensures that all rules are followed. Geoffrey also maintains all communication to our Shareholders in accordance with the appropriate regulations.

CONCLUSION

I thank all of our Directors, past and present, our Treasurer, junior Observers and Friends of the Bank, all of our staff and partners, both within the community and Bendigo Bank. All of the afore mentioned give their time, skills and energy for the benefit of the community and the ongoing well being of the Branch itself. We have weathered more than our fair share of difficulties over the past 2 years. I have faith that we will come out of this in the near future.



Veronica Husted
Chairperson

manager's report

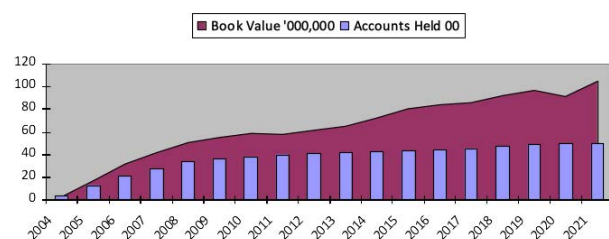
as at 30 June 2021



Financial Performance

Over the last financial year, the **Sanctuary Point & Districts Community Bank** (the Branch) has achieved a 14.27% increase in its book of business, a fantastic effort given the trying times during this financial year. In dollar terms, this represents an increase of \$13.067 million throughout the year, and a year-end position of \$104.622 million.

Growth like this sets the company up for good future returns. Unfortunately, the extreme low interest rate environment during 20/21 meant that although our book business increased well our income didn't as is evidenced in the financial figures.



In summary, as at the end of 2021 financial year, the Branch's business is represented by:

- A total of 5,006 accounts, a net increase of 19 during the year
- Total book value of \$104.622 million
- Loan business of \$21.503 million
- Deposit business of \$ 83.119 million

Staffing

This past year has seen the staff at the branch remain unchanged. This stabilisation of the staffing has allowed the staff to jell together well as a team.

Toward the end of the financial year the role of Customer Relationship Manager was made redundant and replaced by the role of Community Lending Specialist, filled by Kerry Welsh. This new role is designed to have the position concentrate 100% on home lending, to be mobile and be able to go where the business needs are greatest, it is envisaged that this singular concentration on lending will assist the branch achieve its targets for 21/22.

Your Sanctuary Point Team

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

Kerry WELSH – Community Lending Specialist, (pictured right) joined the company 2013.

Customer Service Officers

Dana WILSON – Full time Customer Service Officer, joined the company February 2020. Dana has 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 Berima District Credit Union.

Working in the Community

To say 2020/21 was a challenging year would be a huge understatement. The Covid pandemic meant that the majority of events were cancelled and our community involvement was limited. Even with these trying times your Community Bank managed to be a part of the community and assisted in some meaningful ways.

A couple of the more notable are:

Jervis Bay Meals on Wheels Recently we attended a celebration morning tea to mark another project of your Community Bank, the provision of a "Bratt Oven" for Jervis Bay & Districts Meals on Wheels. This new oven allows chef Andy to cook up to 80 litres of soup at one time and can be used for all types of cooking. Andy told us it is an invaluable piece of equipment in their kitchen.



Jervis Bay Meals on Wheels provides a wonderful service to our local community and Bendigo Bank is more than happy to help organisations that give so much back.

Let's hope the new kitchen set up will service our area for many years to come



Come Try Me Day for February, 2021

Saturday 20 February was a super successful covid safe community event coordinated by The Firefly Bay and Basin team with over 150 people in attendance and over 25 volunteers. The volunteers, families and leaders made it a huge success. Sanctuary Point Community Pride, Cricket, Rugby League, Rugby Union, AFL, Scouts, Physie, BMX and Nippers were all in attendance. There was information around Dance, Soccer, Music, Indoor Climbing, Drama and PCYC available.

We had government staff and volunteers onsite to assist with active and creative kids vouchers and roaming surveys to ask what the children thought of school, sports, activities and who they saw as mentors in the community.



It takes a village to raise a child and the sponsors and donors for the event definitely made it all happen – our sponsors were local Bendigo Bank Branch – funding the BBQ and Sanctuary Point Community Pride who provided food to all the active kids. Toyworld Vincentia, Bikes at the Basin, South Coast Indoor Climb, Music is a Verb, Shoalhaven Suicide Prevention Network, Department of Health, Headspace and Uniting all providing prizes. We gave away bags, drink bottles, sports gear, safety gear, BMX gear, totem tennis, singing lessons, family climb days, Backpacks and caps.

Our 2021 Scholarship Recipients

This year your Community Bank is proudly supporting three local students to further their education by providing a \$5,000 scholarship to each of these bright young people. Moving away from home to study is an expensive exercise and having to worry about money while trying to cope with living on your own for the first time is a lot, so we are glad we can lighten the load for these 3. We wish all 3-great success for their futures, we will be cheering them on from the sidelines.

Jeremy Head Jeremy a former Vincentia High student is studying a Bachelor of Languages/Bachelor of International Security Studies at the Australian National University in Canberra.



Tegan McKay (pictured below left). Tegan also a former Vincentia High School student is studying a Bachelor of Occupational Therapy at Charles Sturt University at Port Macquarie

Brooke Robinson (pictured below right). Brooke a former student of St Johns the Evangelist High School is going onto study a double degree in Arts and International Studies at The University of Wollongong.



2021 Wrap

2021 has been a year like no other, the impact of the pandemic on every aspect of our life made for the most challenging year I have ever known both from a business point of view and in our personal lives. No one could have predicted this let alone planned for it. In saying that your Community Bank continued to grow through the toughest of conditions, we are in a great position to take advantage of the recovery as it unfolds over the next few years, with a foundation that rates as one of the strongest in NSW.

Record low interest rates and a hypercompetitive housing market has made this a very challenging year. The other bi product of the pandemic and lockdowns is the habits of our customers have changed. There has been a significant shift from face-to-face banking over to electronic or on-line banking. The effect this has on the branch is less foot traffic at the counter, this gives our staff fewer opportunities to engage with our customers and puts a higher importance on the outbound calling programs the bank has in place.

Local businesses have struggled throughout this year with many of our customers unable to trade for extended periods of time. The bank has assisted where they could with loan customers, extending repayments and deferring fees etc. At the time of writing this report we are still under lock down conditions with the majority of small businesses closed.

It has been my pleasure this year to work with a small but dedicated team of local volunteer directors to navigate our way through many tough conditions. These people are all volunteers and their hard work is greatly appreciated.

The team at the branch has come together well and the change of role to a specialist lender should help the branch achieve its targets. We have a team now that has the customers at the centre of all they do, experienced bankers that can satisfy the requirements of our area.

It certainly has been a tumultuous year but with a strong team we have managed to come through it set up in a position to make some significant gains in 21/22.

Keith G Robinson – Branch Manager

directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2021.

DIRECTORS

The directors of the company who held office during the financial year and to the date of this report are:

Keith Gordon Robinson
Chair

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

Veronica Jean Husted
Non-Executive Director

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

Mary-Jean Lewis
Non-Executive Director

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

Paul Michael Lallensack
Non-Executive Director
(appointed 28th September 2020)

Occupation:
Retired

Qualifications, experience and expertise: Chief Operating Officer and Director of Epsom Australia PTY Ltd. Financial Controller of Basketball Australia. Financial Controller and Company Secretary Maritime Container Services PTY Ltd. Finance Director City of Sydney Basketball Association. Bachelor of Arts degree Business Administration (Accounting). Varied financial, administrative and managerial experience
Special responsibilities: Member of Corporate Governance and Audit Committee
Interest in shares: Nil share interest held

Stephen James Glenday
Non-Executive Director
(appointed 26th April 2021)

Occupation:
Farmer

Qualifications, experience and expertise: High school Principal, Alpaca farmer.
Special responsibilities: Member of HR Committee
Interest in shares: Nil share interest held

Lynda Carol Johnson
Non-Executive Director

*(appointed 28th September 2020;
resigned 25th May 2021)*

Occupation:
Accountant (Retired)

Qualifications, experience and expertise: Chartered Secretary, registered tax agent, mortgage broker, Diploma in Financial Planning. Previous experience in accounting, tax and consultant services to various organisations and businesses. Previous voluntary roles as Treasurer Swan Chamber of Commerce, Treasurer Vines Golf and Country Club, Treasurer Kiama and District Bridge Club, Meals on Wheels.

Special responsibilities: Nil

Interest in shares: Nil share interest held

Colin Kenneth Poulter
Non-Executive Director

(resigned 22nd February 2021)

Occupation:
Retired

Qualifications, experience and expertise: Bachelor 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

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: 1,100 ordinary shares

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.

PRINCIPAL ACTIVITY

The principal activity 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/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June	
	2021	2020
	\$	\$
	(1,414)	68,522

directors' report continued

DIRECTORS' INTERESTS

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Keith Gordon Robinson	-	-	-
Veronica Jean Husted	500	-	500
Mary-Jean Lewis	-	-	-
Paul Michael Lallensack	-	-	-
Stephen James Glenday	-	-	-
Lynda Carol Johnson	-	-	-
Colin Kenneth Poulter	-	-	-
Geoffrey McNiel Clark Ellison	1,000	100	1,000

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	4.00	26,400

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the companies financial performance so far, 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

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 except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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' MEETINGS

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

	Board Meetings Attended		Committee Meetings Attended							
			Human Resources		Governance & Audit		Marketing, Media & Management		Finance	
	E	A	E	A	E	A	E	A	E	A
Veronica Jean Husted	12	12	3	3	-	-	-	-	-	-
Keith Gordon Robinson	12	11	3	3	-	-	5	5	1	1
Mary-Jean Lewis	12	9	3	3	-	-	-	-	-	-
Paul Michael Lallensack	8	8	-	-	5	4	-	-	1	1
Stephen James Glenday	2	2	-	-	-	-	-	-	-	-
Lynda Carol Johnson	7	7	-	-	-	-	-	-	-	-
Colin Kenneth Poulter	7	7	-	-	5	3	-	-	-	-
Geoffrey McNiel Clark Ellison	-	-	-	-	5	5	-	-	1	1

E - Eligible to attend, A - Number attended

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

directors' report continued

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 decision making capacity for the company, acting as advocate for the company or jointly sharing 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 11. Signed in accordance with a resolution of the board of directors at Sanctuary Point, New South Wales.



Keith Gordon Robinson, Chair

Dated this 30th day of August 2021.

auditor's independence declaration



61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

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

As lead auditor for the audit of Bay & Basin Community Financial Services Limited for the year ended 30 June 2021, 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: 30th August 2021

Adrian Downing
Lead Auditor



afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	467,635	595,444
Other revenue	9	133,332	147,511
Finance income	10	4,857	6,096
Employee benefit expenses	11c)	(370,393)	(369,340)
Charitable donations, sponsorship, advertising and promotion		(11,833)	(41,319)
Occupancy and associated costs		(24,783)	(23,424)
System costs		(18,805)	(19,705)
Depreciation and amortisation expense	11a)	(37,948)	(37,877)
Finance costs	11b)	(6,062)	(7,197)
General administration expenses		(144,879)	(169,010)
Profit/(loss) after income tax		(8,879)	81,179
Income tax (expense)/credit	12a)	7,465	(12,657)
Profit/(loss) after income tax		(1,414)	68,522
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(1,414)	68,522
Earnings per share		¢	¢
- Basic and diluted earnings/(loss) per share:	30a)	(0.21)	10.38

The accompanying notes for part of these financial statements

statement of financial position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	13	600,954	575,539
Trade and other receivables	14a)	48,111	66,454
Current tax assets	18a)	15,920	8,197
Total Current Assets		664,985	650,190
Non-Current Assets			
Property, plant and equipment	15a)	72,375	78,696
Right-of-use assets	16a)	48,538	66,188
Intangible assets	17a)	36,116	49,300
Deferred tax asset	18b)	26,406	22,651
Total Non-Current Assets		183,435	216,835
Total Assets		848,420	867,025
LIABILITIES			
Current Liabilities			
Trade and other payables	19a)	50,922	25,450
Lease liabilities	20a)	27,229	25,958
Employee benefits	22a)	78,391	60,068
Total Current Liabilities		156,542	111,476
Non-Current Liabilities			
Trade and other payables	19b)	14,865	29,730
Lease liabilities	20b)	50,898	78,127
Employee benefits	22b)	8,033	3,437
Provisions	21a)	35,083	33,442
Total Non-Current Liabilities		108,879	144,736
Total Liabilities		265,421	256,212
Net Assets		582,999	610,813
Equity			
Issued capital	23a)	624,056	624,056
Accumulated losses	24	(41,057)	(13,243)
Total Equity		582,999	610,813

The accompanying notes for part of these financial statements

statement of changes in equity

for the financial year ended 30 June 2021

	Notes	Capital \$	Accumulated losses \$	Equity \$
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
Balance at 1 July 2020		624,056	(13,243)	610,813
Total comprehensive income for the year		-	(1,414)	(1,414)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(26,400)	(26,400)
Balance at 30 June 2021		624,056	(41,057)	582,999

The accompanying notes for part of these financial statements

statement of cashflows

for the financial year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		675,696	823,864
Payments to suppliers and employees		(573,565)	(695,960)
Interest received		5,078	6,096
Lease payments (interest component)	11b)	(4,421)	(5,633)
Lease payments not included in the measurement of lease liabilities	11d)	(6,693)	(6,995)
Income taxes paid		(4,016)	(29,210)
Net cash provided by operating activities	25	92,079	92,162
Cash flows from investing activities			
Payments for property, plant and equipment		(792)	(2,214)
Payments for intangible assets		(13,514)	(13,514)
Net cash used in investing activities		(14,306)	(15,728)
Cash flows from financing activities			
Lease payments (principal component)		(25,958)	(24,747)
Dividends paid	29a)	(26,400)	(33,000)
Net cash used in financing activities		(52,358)	(57,747)
Net cash increase in cash held		25,415	18,687
Cash and cash equivalents at the beginning of the financial year		575,539	556,852
Cash and cash equivalents at the end of the financial year	13	600,954	575,539

The accompanying notes for part of these financial statements

notes to the financial statements

for the financial year ended 30 June 2021

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

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. 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 2021 were authorised for issue in accordance with a resolution of the directors on 30 August 2021.

NOTE 3. CHANGES IN ACCOUNTING POLICIES, STANDARDS AND INTERPRETATIONS

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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:

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

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – 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,

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue from contracts with customers (continued)

- 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 the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

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

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

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).
Community Newsletter	Community Newsletter income is recognised through monthly subscriptions.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of 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

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

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement.

notes to the financial statements continued

for the financial year ended 30 June 2021

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.

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
- providing payroll services.

d) Employee benefits

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

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

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.

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.

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.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Taxes (continued)

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.

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

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

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 and deposits held with banks.

g) Property, plant and equipment

Items of property, plant and equipment are measured

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

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 is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line over their estimated useful lives, and is recognised in profit or loss.

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 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 relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

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

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

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

Asset class	Method	Useful life
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 and other debtors and creditors, cash and cash equivalents and lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus,

notes to the financial statements continued

for the financial year ended 30 June 2021

transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

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

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

j) Impairment

Non-derivative financial assets

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial assets

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

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

k) Issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction

costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

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.

m) Leases

At inception of a contract, the company assesses whether a contract contains or is 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 and obtain substantially all the economic benefits from the use of that asset.

As a lessee

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

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

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

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

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Leases (continued)

As a lessee (continued)

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.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

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 a lease that, at commencement date, has a lease term of 12 months or less.

notes to the financial statements continued

for the financial year ended 30 June 2021

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:

Note	Judgement
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 2021 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 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 credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

Risk management is carried out directly by the board 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's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

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

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021		Contractual cash flows		
<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Great than five years</u>
Lease liabilities	78,127	30,379	53,163	-
Trade and other payables	65,787	50,922	14,865	-
	143,914	81,301	68,028	-

30 June 2020		Contractual cash flows		
<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Great than five years</u>
Lease liabilities	104,085	30,379	83,542	-
Trade and other payables	55,180	25,450	29,730	-
	159,265	55,829	113,272	-

notes to the financial statements continued

for the financial year ended 30 June 2021

NOTE 6. FINANCIAL RISK MANAGEMENT (continued)

c) 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.

The company held cash and cash equivalents of \$600,954 at 30 June 2021 (2020: \$575,539). 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 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

NOTE 8. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 \$	2020 \$
- Margin income	383,153	506,410
- Fee income	59,610	63,634
- Commission income	24,872	25,400
	467,635	595,444

NOTE 9. OTHER REVENUE

	2021 \$	2020 \$
- Market development fund income	26,667	35,000
- Cash flow boost	23,945	39,909
- Community newsletter	82,720	70,258
- Other income	-	2,344
	133,332	147,511

NOTE 10. FINANCE INCOME

	2021 \$	2020 \$
- Term deposits	4,857	6,096

Finance income is recognised when earned using the effective interest rate method.

NOTE 11. EXPENSES

	2021 \$	2020 \$
a) Depreciation and amortisation expense		
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	1,953	1,954
- Plant and equipment	5,161	5,089
	7,114	7,043
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	17,650	17,650
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,197	2,197
- Franchise renewal process fee	10,987	10,987
	13,184	13,184
Total depreciation and amortisation expense	37,948	37,877

notes to the financial statements continued

for the financial year ended 30 June 2021

	2021 \$	2020 \$
b) Finance costs		
- Lease interest expense	4,421	5,633
- Unwinding of make-good provision	1,641	1,564
	6,062	7,197

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

c) Employee benefit expenses		
Wages and salaries	313,912	330,100
Contributions to defined contribution plans	30,895	30,968
Expenses related to long service leave	6,674	(7,813)
Other expenses	18,912	16,085
	370,393	369,340

d) Recognition exemption

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

Expenses relating to low-value leases	6,693	6,995
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NOTE 12. INCOME TAX EXPENSE

	2021 \$	2020 \$
a) Amounts recognised in profit or loss		
<i>Current tax expense/(credit)</i>		
- Current tax	-	11,256
- Movement in deferred tax	(4,812)	(21,046)
- Carried-forward capital losses	(3,709)	-
- Adjustment to deferred tax on AASB 16 retrospective application	-	21,140
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	1,056	1,307
	(7,465)	12,657
b) <i>Prima facie</i> income tax reconciliation		
Operating profit/(loss) before taxation	(8,879)	81,179
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	(2,309)	22,324
Tax effect of:		
- Non-deductible expenses	14	-
- Temporary differences	4,812	(94)
- Other assessable income	(6,226)	(10,974)
- Movement in deferred tax	(4,812)	(21,046)
- Reduction in company tax rate	1,056	1,307
- Leases initial recognition	-	21,140
	(7,465)	12,657

NOTE 13. CASH AND CASH EQUIVALENTS

	2021 \$	2020 \$
- Cash at bank and on hand	307,970	173,048
- Term deposits	292,984	402,491
	600,954	575,539

NOTE 14. TRADE AND OTHER RECEIVABLES

	2021 \$	2020 \$
a) Current assets		
Trade receivables	36,577	50,094
Prepayments	8,986	9,160
Other receivables and accruals	2,548	7,200
	48,111	66,454

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	2021 \$	2020 \$
a) Carrying amounts		
<i>Leasehold improvements</i>		
At cost	78,165	78,165
Less: accumulated depreciation	(33,679)	(31,726)
	44,486	46,439
<i>Plant and equipment</i>		
At cost	137,885	137,395
Less: accumulated depreciation	(109,996)	(105,138)
	27,889	32,257
Total written down amount	72,375	78,696
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	46,439	48,393
Depreciation	(1,953)	(1,954)
	44,486	46,439
<i>Plant and equipment</i>		
Carrying amount at beginning	32,257	35,132
Additions	490	2,214
Disposals	303	-
Depreciation	(5,161)	(5,089)
	27,889	32,257
Total written down amount	72,375	78,696

notes to the financial statements continued

for the financial year ended 30 June 2021

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.

NOTE 16. RIGHT-OF-USE ASSETS

	2021 \$	2020 \$
a) Carrying amounts		
<i>Leased land and buildings</i>		
At cost	354,471	354,471
Less: accumulated depreciation	(305,933)	(288,283)
Total written down amount	48,538	66,188
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	66,188	-
Initial recognition on transition	-	354,471
Accumulated depreciation on adoption	-	(270,633)
Depreciation	(17,650)	(17,650)
Total written down amount	48,538	66,188

NOTE 17. INTANGIBLE ASSETS

	2021 \$	2020 \$
a) Carrying amounts		
<i>Franchise Fee</i>		
At cost	93,917	93,917
Less: accumulated depreciation	(87,836)	(85,639)
	6,081	8,278
<i>Franchise renewal process fee</i>		
At cost	169,577	169,577
Less: accumulated depreciation	(139,542)	(128,555)
	30,035	41,022
Total written down amount	36,116	49,300
b) Reconciliation of carrying amounts		
<i>Franchise Fee</i>		
Carrying amount at beginning	8,278	10,476
Amortisation	(2,197)	(2,198)
	6,081	8,278
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	41,022	52,007
Amortisation	(10,987)	(10,985)
	30,035	41,022
Total written down amount	36,116	49,300

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.

notes to the financial statements continued

for the financial year ended 30 June 2021

NOTE 18. TAX ASSETS AND LIABILITIES

	2021 \$	2020 \$
a) Current tax		
Income tax refundable	(15,920)	(8,197)
b) Deferred tax		
<i>Deferred tax assets</i>		
- expense accruals	-	780
- employee provisions	21,606	16,511
- make-good provision	8,771	8,695
- lease liability	19,532	27,062
Total deferred tax assets	49,909	53,048
<i>Deferred tax liabilities</i>		
- income accruals	602	683
- property, plant and equipment	10,766	12,505
- right-of-use assets	12,135	17,209
Total deferred tax liabilities	23,503	30,397
Net deferred tax assets (liabilities)	26,406	22,651
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(3,755)	(1,403)
Movement in deferred tax charged to Statement of Changes in Equity	-	21,140

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.

	2021 \$	2020 \$
a) Current liabilities		
Trade creditors	1,745	3,379
Other creditors and accruals	49,177	22,071
	50,922	25,450
b) Non-current liabilities		
Other creditors and accruals	14,865	29,730

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 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.

The company's lease portfolio includes:

- Sanctuary Point Branch The lease agreement commenced in March 2004. An extension option term of five years was exercised in March 2019. The lease has no further extension options available. As such, the lease term end date used in the calculation of the lease liability is March 2024.

	2021 \$	2020 \$
a) Current lease liabilities		
Property lease liabilities	30,379	30,379
Unexpired interest	(3,150)	(4,421)
	27,229	25,958
b) Non-current lease liabilities		
Property lease liabilities	53,163	83,542
Unexpired interest	(2,265)	(5,415)
	50,898	78,127
c) Reconciliation of lease liabilities		
Balance at the beginning	104,085	-
Initial recognition on AASB 16 transition	-	128,833
Lease interest expense	4,421	5,633
Lease payments - total cash outflow	(30,379)	(30,381)
	78,127	104,085

notes to the financial statements continued

for the financial year ended 30 June 2021

	2021 \$	2020 \$
d) Maturity analysis		
- Not later than 12 months	30,379	30,379
- Between 12 months and 5 years	53,163	83,542
Total undiscounted lease payments	83,542	113,921
Unexpired interest	(5,415)	(9,836)
Present value of lease liabilities	78,127	104,085

NOTE 21. PROVISIONS

	2021 \$	2020 \$
a) Non-current liabilities		
Make-good on leased premises	35,083	33,442

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

NOTE 22. EMPLOYEE BENEFITS

	2021 \$	2020 \$
a) Current liabilities		
Provision for annual leave	34,428	28,420
Provision for long service leave	33,740	31,648
Provision for sick leave	10,223	-
	78,391	60,068
b) Non-current liabilities		
Provision for long service leave	8,020	3,437
Provision for sick leave	13	-
	8,033	3,437

c) Key judgement and assumptions

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.

During the period a sick leave provision was recognised to show the companies obligation for sick leave payout upon termination of some employees per the companies Enterprise Agreement.

NOTE 23. ISSUED CAPITAL

	2021		2020	
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.

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.

notes to the financial statements continued

for the financial year ended 30 June 2021

NOTE 24. RETAINED EARNINGS (ACCUMULATED LOSSES)

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		(13,243)	6,968
Adjustment for transition to AASB 16		-	(55,733)
Net profit (loss) after tax from ordinary activities		(1,414)	68,522
Dividends provided for or paid	29a)	(26,400)	(33,000)
Balance at end of reporting period		(41,057)	(13,243)

NOTE 25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2021 \$	2020 \$
Net profit (loss) after tax from ordinary activities	(1,414)	68,522
Adjustments for:		
- Depreciation	24,764	24,693
- Amortisation	131,184	13,184
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	18,343	5,008
- (Increase) / decrease in other assets	(11,478)	(6,433)
- Increase / (decrease) in trade and other payables	24,120	(6,175)
- Increase / (decrease) in employee benefits	22,919	1,553
- Increase / (decrease) in provisions	1,641	1,565
- Increase / (decrease) in tax liabilities	-	(9,755)
Net cash flows provided by operating activities	92,079	92,162

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	2021 \$	2020 \$
Financial assets			
Cash and cash equivalents	13	307,970	173,048
Term deposits	13	292,984	402,491
Trade and other receivables	14	39,125	57,294
		640,079	632,833
Financial liabilities			
Trade and other payables	19	50,922	28,829
Lease liabilities	20	78,127	104,085
		129,049	132,914

NOTE 27. AUDITOR'S REMUNERATION

	2021 \$	2020 \$
Amount received or due and receivable by the auditor of the company for the financial year.		
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,690	3,825
- Share registry services	3,530	3,790
Total auditor's remuneration	11,820	13,015

NOTE 28. RELATED PARTIES

a) Details of key management personnel

The directors of the company during the financial year were:

Veronica Jean Husted
Keith Gordon Robinson
Mary-Jean Lewis
Paul Michael Lallensack
Stephen James Glenday
Lynda Carol Johnson
Colin Kenneth Poulter
Geoffrey McNiel Clark Ellison

b) Key management personnel compensation

	2021 \$	2020 \$
Short-term employee benefits	100	-
One director received a \$100 gift voucher		

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 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	4.00	26,400	5.00	33,000

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

notes to the financial statements continued

for the financial year ended 30 June 2021

	2021 \$	2020 \$
b) Franking account balance		
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	78,947	62,256
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	18,891	27,043
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(14,877)	2,165
- Franking debits from the payment of franked distributions	(9,276)	(12,517)
Franking account balance at the end of the financial year	73,685	78,947
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(15,920)	(8,197)
Franking credits available for future reporting periods	57,765	70,750
The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.		

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.

	2021 \$	2020 \$
Profit/(loss) attributable to ordinary shareholders	(1,414)	68,522
	Number	Number
Weighted-average number of ordinary shares	660,000	660,000
	Cents	Cents
Basic and diluted earnings/(loss) per share	(0.21)	10.38

NOTE 31. COMMITMENTS

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

NOTE 32. CONTINGENCIES

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 2021

Bay & Basin Community Financial Services Limited Directors' Declaration

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 2021 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.



Keith Gordon Robinson, Chair

Dated this 30th day of August 2021

independent auditor's report



61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au

03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

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

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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

- i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

independent auditor's report

continued



61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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



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independent auditor's report continued



61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30th August 2021

Adrian Downing
Lead Auditor

Community Bank - Sanctuary Point & Districts
1/200 Kerry Street,
Sanctuary Point NSW 2540
Phone: 02 4443 9825 Fax: 02 4443 9935
Email: SanctuaryPointMailbox@bendigoadelaide.com.au
Web: <https://www.bendigobank.com.au/branch/nsw/community-bank-sanctuary-point-districts/>

Franchisee: Bay & Basin Community Financial Services Limited
ABN: 62 105 756 063
1/200 Kerry Street,
Sanctuary Point NSW 2540

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au

