Annual Report 2022

Carrum Downs Financial Services Limited

Community Bank
Carrum Downs and Marriott Waters

ABN 89 088 990 470

Contents

Chairman's report

For year ending 30 June 2022

It is with pleasure that I present my Chairman's report for Carrum Downs Financial Services Limited, the operator of Community Bank Carrum Downs and Marriott Waters.

The last 12 months have been a pleasant change to having to deal with COVID-19, as was the case in the two previous years. Whilst it is still present, thankfully as a community we are learning to live with it.

Time to reflect

23 years ago, a group of committed locals, a politician, and business professionals came together to return banking back to the Carrum Downs community. In this time not only did we return banking back to Carrum Downs, but we also introduced banking to the Marriott Waters community.

I am pleased to say that during the last 12 months we have continued to support all our stakeholders. Our total donations have exceeded $4 million in support to our local community. We strive to return up to 80 cents of every $1 of profit back to the community. The entire Bendigo and Adelaide Bank's Community Bank network, which now stands at over 300 branches is poised to return over $300 million to local communities this financial year, having already contributed $292 million. So, by banking with Community Bank Carrum Downs and Marriott Waters, you will make a difference.

Our support over the years has been extended to our youth, our emergency services, our senior citizens, numerous community groups and to our sporting community.

This support would never have been possible without the support of you, our loyal shareholders. So thank you to each and every shareholder for your support.

Our year

I am delighted to announce that we continue to grow our business at both Community Bank Carrum Downs and Marriott Waters.

Over the last 12 months we have seen our business grow by $26.60 million. At the end of June 2022 our total funds under management were $339.8 million, this represents an 8.5% increase in our business.

Both branches grew their business during the last 12 months. With Marriott Waters growing by 11.33% and Carrum Downs by 5.9%

This year we have made a profit of $108,140 compared to last year's profit of $30,234. This is after us continuing our commitment and support to our local community.

We are in a high interest rate environment and this puts pressure on our customers, and this has a positive impact on our margins and our profitability. This will place our borrowers potentially under mortgage stress. Self-funded retirees are the winners with increasing interest rates.

Staffing remains our biggest issue, an issue that is not limited to the banking industry but to a variety of industries.

Dividends and community contributions

In this past financial year, we have made a further dividend to our shareholders totalling $0.07 per share or $24,186. In addition to the dividend, we also returned $82,922 or $0.24 cents per share in a capital return.

Our community has also benefited during the last 12 months where we have distributed $54,200 (last year $79,743) to local community groups.

What lies ahead?

All indications show that we shall continue in a high inflation and high interest rate environment. This impacts positively on our revenue. This is great news to you our shareholders and to the community but not so great news for our customers, some who may experience mortgage stress. As a Board we are committed to continuing to grow the business.

How can you help?

Community Bank Carrum Downs and Marriott Waters is like every other bank. But better. Why are we better? We are a real bank, with real people who strive to return 80% of our profits back to the community. No other bank does this. Like every other bank, Bendigo Bank has home loans, personal loans, credit cards, term deposits, savings accounts, insurances, the list goes on.

It is fair to say that whilst banking is our business, the community is our focus.

If we had your business, our profits would grow, our contribution to the community would grow and the return to our shareholders would grow. So, if you are not a customer then please give our Senior Manager, Len Barda a call.

Our great team

The successes we have had in the last 12 months don't just happen by magic. It takes considerable effort and commitment.

I would therefore like to acknowledge our team led by Len Barda. They include Belinda Wood, Anne Johnston (who retired on 1 October after 16.5 years of loyal service), Barbara Owen (who retired on 28 January 2022 after almost nine years of loyal service), Hollie Wilkin (who resigned on 1 December 2021 to work closer to home), Carolynne Johnson, Ros Geurts, Silvanna Horne, Gary Rowe, Lyndal Martin (who has transferred to a branch in Queensland), Ben Crawford (who was promoted to a higher position within the Bendigo Bank network) and Joanne Lenowry (who resigned on 31 December 2021 to work in another Community Bank closer to home). Most of the above employment losses have been offset by the appointment of Ben McDonald, Laura Howell, Rosina Morris and we welcome back Tysha Astudillo who retired back in 2018 to commence her family.

Sadly, many of our staff changes were COVID-19 driven as a result of stress placed on our awesome team. We wish them well in retirement and in their new positions.

Our staff at your two branches continue to do an outstanding job and having done so in trying circumstances over the last 12 months. I thank them sincerely for their service.

I would also like to acknowledge my fellow Directors. My Deputy Chairman Christine Swanson, Treasurer Jason Pater (who resigned earlier this year, but continues to consult to the Board), Kenneth Smith, Gary Landy and our Company Secretary Emily Wiltshire.

Finally, to our shareholders, I thank you for your support, not only in the last 12 months but since we opened on 9 October 1999. Together we have 23 years of delivering to our local community. Quite an achievement.

In closing, how wonderful is it that for the first time in three years we can come together in person for our AGM. I look forward to seeing you on the night.

Lindsay (Malcolm) Wells
Chairman

Manager’s report

For year ending 30 June 2022

It is with pleasure that I present my report for the financial year ended 30 June 2022, my 10th report as your Senior Branch Manager. It certainly has been a very dynamic year as we continue to learn to navigate life with COVID-19 and more recently, have entered a new economic cycle highlighted by almost full employment, rising inflation and rising interest rates.

The uncertainty across our communities and local businesses, along with the introduction of more stringent lending policies and criteria, has impacted the way we do business. Community engagement and activities have been negatively impacted which in turn has reduced the opportunity for us to engage with our community groups and to network and develop these relationships as we have in the past. Branch foot traffic continues to decline with many customers now using alternate means to complete their day-to-day transactions such as on-line banking platforms. This means fewer opportunities for our teams to have relevant, face-to-face conversations with our customers to explore their banking needs.

Notwithstanding these ongoing challenges, we continue to adapt the way we do business and have delivered some very sound outcomes. This year, our consumer lending book grew by $12.29 million and our deposit book grew by $14.55 million. As at 30 June 2022, our total business footings grew to $339.8 million. Community Bank Carrum Downs and Marriott Waters now have over 9,100 customers using over 14,000 products and we completed over 46,000 teller transactions during the financial year. Our Marriott Waters branch completed the highest level of loan approvals in its nine-year history and Carrum Downs the second highest in its 23-year history (only four short of our best). When I reflect back on the business I joined 10 years ago, we had one branch (Carrum Downs) and total business footings of $132 million, so things have certainly changed.

The 2022 financial year also saw a number of staffing changes. Anne Johnston and Barbara Owen both made the decision to retire. Anne had been with us for over 16 years and Barbara for eight years. Both Anne and Barbara are sorely missed by our team and customers. Ben Crawford also left us on promotion to Business Banking, while Hollie Wilkin moved to another Community Bank closer to her home and Joanne Lenowry decided to explore opportunities outside of the banking industry. Lyndal Martin also left to return to her home state of Queensland where she joined her local Community Bank. We sincerely thank Ben, Hollie, Joanne and Lyndal for their contribution to our business and wish them all the best in their future endeavours.

During the year we were delighted to welcome three new team members. Laura Howell joined the team as our Customer Service Supervisor. Laura is a Carrum Downs local, a mother of two and has been working in the banking industry for nine years. We also welcomed Rosina Morris as our new Customer Service Officer. Rosina is another Carrum Downs local and has a 19 year old daughter. Rosina was a small business owner and has extensive experience in retail and customer facing roles. We also welcomed Christopher Wood as our new Manager at Marriott Waters branch. Chris lives in Cranbourne with his wife and three year old son. Chris started his career with Bendigo Bank 15 years ago and most recently was the Manager at Community Bank Lang Lang. We welcome Laura, Rosina and Chris to our team and look forward to their contribution to our business and community.

It is pleasing to see that despite the ongoing challenges faced by the world and the banking industry we are still able to operate a profitable and sustainable social enterprise and share our profits with our local community. One of the key drivers of our business is our ability to provide face-to-face banking services to our community and to remain available and accessible to our customers. I would like to thank the Board for their ongoing support and commitment to our team and business.

Manager’s report (continued)

Finally, with all the challenges and staffing changes, I know that I asked more of our team than was fair or reasonable of me to ask over the past 12 months. We had staff working extra days, extra hours, and working between both branches on short notice so we could keep our doors open and meet the needs of our customers. Not one of our staff complained or let me down when asked to for their support. So on a personal note, I would like to say a sincere thank you to each and every one of our team for their support, patience, resilience, professionalism and for your unwavering commitment to our business, our customers and each other.

Len Barda
Senior Branch Manager

Directors' report

For the financial year ended 30 June 2022

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

Directors

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

Mr Lindsay (Malcolm) Wells

Title: Chair

Qualifications: CPA, B.Bus (Acc), Dip FinServ (Fin Plan), GAICD

Experience and expertise: A founding Director of CDFS, Malcolm is a Certified Practicing Accountant and Manager at R J Sanderson & Associates in Cranbourne. He has extensive experience in all areas of public accounting, with expertise in taxation advice and planning, business structuring and development, self managed super and general management advice. Malcolm is on the board of CSV Ltd (Casey and Balcombe Grammar Schools) and chairs their Finance and Remuneration Committee. Malcolm is a past President of the Rotary Club of Cranbourne and is Founding Chairman of Who Cares? We Do, a charity which provides free services to the homeless and disadvantaged in Cranbourne. Malcolm is also the Chair of the Audit and Finance committee and is the company's Treasurer.

Special responsibilities: Chair of the Audit and Finance committee and Treasurer.

Mrs Christine Swanson

Title: Deputy Chair

Experience and expertise: Christine is a founding Director of CDFS and was on the steering committee at inception. She has been an active member of the various board committees including: Sponsorship, Marketing, HR, New Sites Development and Extra Time. Christine is Chair of the board's community engagement/sponsorship committee and a member of the HR committee. Christine also assists with community and charity organisations, including volunteer work for some Neighbourhood Centres, helping and distributing food to the needy, and also various Pet Rescue Centres. Christine has a background in Residential Building and Shopping Centre Management and Development.

Special responsibilities: Deputy chair, chair of community engagement committee, member of HR committee

Mr Gary Landy

Title: Non-executive director

Qualifications: Master of Public Policy and Admin., Grad. Dip. Public Admin., Cert. of Business

Experience and expertise: Gary brings business, leadership and community skills and experience to the Board. He had an extensive career in the Victoria Police for many years and has been awarded the Victoria Police Service Medal, a National Media, and Vietnam Service Awards. Gary has also worked for Frankston City Council, the Department of Justice, is a small business owner and was chair of the Sandhurst Residents Committee. He is a member of the HR and Community Engagement committees and lives in the local Sandhurst community.

Special responsibilities: Chair of marketing committee, member of HR committee and community engagement committee

Directors (continued)

Hon Ken Smith AM

Title: Non-executive director

Experience and expertise: Ken brings a range of leadership and business skills to the board, as well as community relationships. Ken was formerly a member of the Victorian Parliament's Legislative Assembly, and the Speaker of the House. He has been a councillor for Hastings Council and was Founding Director and Chairman of the Independent News Group. He is a former President of the Australia China Business Council (Vic), and a member of the Sandhurst community. Ken is Chair of the HR committee and a member of the Community Engagement committee. Ken became a Member of the Order of Australia on Australia Day 2018.

Special responsibilities: Chair of HR committee, member of community engagement committee

Mr Jason Pater (resigned 22 November 2021)

Title: Treasurer

Qualifications: FCA, B.Comm, Dip FinServ (Fin Plan), FGIA

Experience and expertise: Jason was one of the founding Directors of CDFS in 1999 was Treasurer until his resignation on 22 November 2021. He is a Chartered Accountant (Fellow) now consulting to SME's after selling his accounting practice in 2015. Starting out with Pricewaterhouse Coopers, has been working with small businesses for over 30 years. Jason is the CEO of the Payton Foundation, a Director/Secretary and advisor to several small business boards and other charities. Jason is actively involved in the board's audit and finance and marketing committees and was previously Chair of Bendigo and Adelaide Bank's Peninsula Marketing Cluster.

Special responsibilities: Treasurer and chair of audit committee until resignation

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

Company secretary

The Company secretary is Ms Emily Wiltshire. Emily was appointed to the position of Company secretary on 31 August 2020.

Experience and expertise: Emily is a Chartered Secretary who has worked in corporate compliance roles for 13 years. She has 11 years' experience providing corporate secretarial services to over 2000 companies as the Corporate Affairs Manager at Moore Australia. Emily has extensive experience providing services and advice to a range of companies to ensure they meet their legal and regulatory obligations.

Principal activity

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

There have been no significant changes in the nature of this activity during the financial year.

Review of operations

The profit for the company after providing for income tax amounted to $108,140 (30 June 2021: $30,234).

Operations have continued to perform in line with expectations.

Dividends and return of capital

During the financial year, a dividend and return of capital (ROC) was provided for and paid. The dividends and ROC have been provided for in the financial statements.

	2022 $
Fully franked dividend of 7 cents per share (2021: 7 cents)	24,186
Return of capital of 24 cents per share (2021: 25 cents)	**83,162**

Dividends and return of capital (continued)

During the current year the shareholders resolved at the AGM on 22 November 2021, to make a further ROC of $0.24 per share totalling $82,922.40. This was paid on 14 December 2021.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments

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

Environmental regulation

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

Meetings of directors

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

	Board		Committeee Meetings	
	Eligible	Attended	Eligible	Attended
Mr Lindsay Wells	11	11	2	2
Mrs Christine Swanson	11	11	3	3
Mr Ken Smith	11	11	3	3
Mr Gary Landy	11	10	3	2
Mr Jason Pater	5	5	2	2

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 notes 25 and 26 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year $	Changes $	Balance at the end of the year $
Mr Lindsay Wells	17,851	-	17,851
Mrs Christine Swanson	3,002	-	3,002
Mr Ken Smith	-	-	-
My Gary Landy	-	-	-
Mr Jason Pater (resigned 22 November 2021)	3,701	-	3,701

Indemnity and insurance of directors and officers

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

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

Proceedings on behalf of the company

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

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

Indemnity and insurance of auditor

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

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

Non-audit services

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

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

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

Auditor's independence declaration

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

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

On behalf of the directors

Lindsay (Malcolm) Wells
Chair

26 September 2022

Auditor's independence declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Carrum Downs Financial Services Limited

As lead auditor for the audit of Carrum Downs Financial Services Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 20 October 2022

Joshua Griffin
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 65 684 604 390

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	7	1,824,814	1,790,113
Other revenue	8	15,000	74,583
Finance revenue		3,226	5,013
Employee benefits expense	9	(1,070,102)	(1,147,444)
Advertising and marketing costs		(1,205)	(8,233)
Occupancy and associated costs		(41,322)	(30,331)
System costs		(100,414)	(113,541)
Depreciation and amortisation expense	9	(220,769)	(231,497)
Finance costs	9	(24,475)	(34,867)
General administration expenses		(182,802)	(199,276)
Profit before community contributions and income tax		**201,951**	**104,520**
Charitable donations and sponsorships expense		(54,200)	(79,743)
Profit before income tax (expense)/benefit		**147,751**	**24,777**
Income tax (expense)/benefit	10	(39,611)	5,457
Profit after income tax (expense)/benefit for the year	**21**	**108,140**	**30,234**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**108,140**	**30,234**
		Cents	**Cents**
Basic earnings per share	29	31.30	8.75
Diluted earnings per share	29	31.30	8.75

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

Statement of Financial Position
as at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	11	982,441	985,985
Trade and other receivables	12	194,214	172,058
Total current assets		**1,176,655**	**1,158,043**
Non-current assets			
Property, plant and equipment	13	280,912	299,579
Right-of-use assets	14	296,194	511,591
Intangibles	15	59,432	87,630
Deferred tax assets	10	66,194	69,488
Total non-current assets		**702,732**	**968,288**
Total assets		**1,879,387**	**2,126,331**
Liabilities			
Current liabilities			
Trade and other payables	16	178,565	171,518
Lease liabilities	17	153,260	184,491
Current tax liabilities	10	28,068	32,566
Employee benefits	18	206,509	208,604
Total current liabilities		**566,402**	**597,179**
Non-current liabilities			
Trade and other payables	16	30,686	61,371
Lease liabilities	17	154,657	343,076
Employee benefits	18	2,103	2,046
Provisions	19	46,181	44,093
Total non-current liabilities		**233,627**	**450,586**
Total liabilities		**800,029**	**1,047,765**
Net assets		**1,079,358**	**1,078,566**
Equity			
Issued capital	20	3,215	86,377
Retained earnings	21	1,076,143	992,189
Total equity		**1,079,358**	**1,078,566**

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

Statement of Changes in Equity
for the year ended 30 June 2022

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2020		172,754	986,141	1,158,895
Profit after income tax expense		-	30,234	30,234
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		**-**	**30,234**	**30,234**
Transactions with owners in their capacity as owners:				
Dividends provided for	23	-	(24,186)	(24,186)
Return of capital	20	(86,377)	-	(86,377)
Balance at 30 June 2021		**86,377**	**992,189**	**1,078,566**
Balance at 1 July 2021		86,377	992,189	1,078,566
Profit after income tax expense		-	108,140	108,140
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		**-**	**108,140**	**108,140**
Transactions with owners in their capacity as owners:				
Dividends provided for	23	-	(24,186)	(24,186)
Return of capital	20	(83,162)	-	(83,162)
		(83,162)	**(24,186)**	**(107,348)**
Balance at 30 June 2022		**3,215**	**1,076,143**	**1,079,358**

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

Statement of Cash Flows
for the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,998,786	1,998,018
Payments to suppliers and employees (inclusive of GST)		(1,628,954)	(1,664,977)
		369,832	333,041
Interest received		3,226	5,013
Income taxes paid		(40,815)	-
Net cash provided by operating activities	**28**	**332,243**	**338,054**
Cash flows from investing activities			
Payments for intangibles		(27,896)	(27,896)
Net cash used in investing activities		**(27,896)**	**(27,896)**
Cash flows from financing activities			
Payments for return of capital	20	(83,162)	(86,378)
Dividends paid	23	(24,186)	(24,186)
Repayment of lease liabilities	17	(200,543)	(199,904)
Net cash used in financing activities		**(307,891)**	**(310,468)**
Net decrease in cash and cash equivalents		**(3,544)**	**(310)**
Cash and cash equivalents at the beginning of the financial year		985,985	986,295
Cash and cash equivalents at the end of the financial year	**11**	**982,441**	**985,985**

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

Notes to the financial statements

For the year ended 30 June 2022

Note 1. Reporting entity

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 3/100 Hall Road, Carrum Downs Regional Shopping Centre, Carrum Downs VIC 3201.

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

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

Note 2. Basis of preparation and statement of compliance

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

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

Current and non-current classification

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

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

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

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

Impairment

Non-derivative financial assets

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

Note 3. Significant accounting policies (continued)

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

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

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

Estimation of useful lives of assets

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

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

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

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

Recovery of deferred tax assets

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

Lease term

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

Incremental borrowing rate

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

Employee benefits provision

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

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

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

Lease make good provision

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

Note 5. Restatement of comparatives

Correction of error

The company previously had not recognised franchise and renewal fees as intangible assets and the corresponding amount payable to Bendigo Bank was not recognised as a liability. The amortisation of these intangible assets has also been reclassified to amortisation expense.

Note 5. Restatement of comparatives (continued)

The company has also reclassified some accounts during the year to align with accounting standards. This includes:

- The security deposit of $25,000 was previously recognised as cash and cash equivalents. This has been reclassified to trade and other receivables.
- Liabilities for annual and long services leave were previously recognised as provisions. These have been reclassified to employee benefits.
- Liabilities for make-good were previously recognised in lease liabilities. These have been reclassified to provisions.
- Current tax liability has been reclassified from trade and other payables.

The following table summaries the impacts on the 30 June 2021 financial statements:

	As previously stated $	Adjustment $	As restated $
Statement of financial position (extract)			
Assets			
Current asset			
Cash and cash equivalents	1,010,985	(25,000)	985,985
Trade and other receivables	181,579	15,479	172,058
Non-current assets			
Intangibles	-	87,630	87,630
Total assets	**2,048,222**	**78,109**	**2,126,331**
Liabilities			
Current liabilities			
Trade and other payables	173,237	(1,719)	171,518
Employee benefits	-	208,604	208,604
Current tax liability	-	32,566	32,566
Provisions	222,713	(222,713)	-
Lease liabilities	184,499	(8)	184,491
Non-current liabilities			
Trade and other payables	-	61,371	61,371
Provisions	2,046	42,047	44,093
Employee benefits	-	2,046	2,046
Lease liabilities	387,161	(44,085)	343,076
Total liabilities	**969,656**	**78,109**	**1,047,765**
Net assets	**1,078,566**	**-**	**1,078,566**
Statement of profit or loss or other comprehensive income (extract)			
Depreciation and amortisation	203,969	27,528	231,497
General administration	226,804	(27,528)	199,276
Total comprehensive income for the year	**30,234**	**-**	**30,234**

Note 6. Economic dependency

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

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

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

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

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

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

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

Note 7. Revenue from contracts with customers

	2022 $	2021 $
Margin income	1,440,805	1,416,820
Fee income	187,973	186,722
Commission income	196,036	186,571
Revenue from contracts with customers	**1,824,814**	**1,790,113**

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:

Note 7. Revenue from contracts with customers (continued)

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

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

Revenue calculation

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

Note 8. Other revenue

	2022 $	2021 $
Market development fund	15,000	24,583
Cash flow boost	-	50,000
Other revenue	**15,000**	**74,583**

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

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

All revenue is stated net of the amount of 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. 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.

Note 9. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Leasehold improvements	9,218	9,218
Plant and equipment	9,449	10,771
	18,667	**19,989**
Depreciation of right-of-use assets		
Leased land and buildings	**173,904**	**183,980**

Note 9. Expenses (continued)

Depreciation and amortisation expense

	2022 $	2021 $
Amortisation of intangible assets		
Franchise fee	4,700	4,588
Franchise renewal fee	23,498	22,940
	28,198	**27,528**
	220,769	**231,497**

Finance costs

	2022 $	2021 $
Lease interest expense	22,060	32,612
Unwinding of make-good provision	2,415	2,255
	24,475	**34,867**

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

Employee benefits expense

	2022 $	2021 $
Wages and salaries	920,260	993,898
Non-cash benefits	1,089	-
Superannuation contributions	92,367	96,090
Expenses related to long service leave	8,393	12,868
Other expenses	47,993	44,588
	1,070,102	**1,147,444**

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	**49,009**	**56,010**

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.

Note 10. Income tax

	2022 $	2021 $
Income tax expense/(benefit)		
Current tax	36,318	8,384
Movement in deferred tax	620	(17,517)
Reduction in company tax rate	2,673	3,676
Aggregate income tax expense/(benefit)	**39,611**	**(5,457)**

Note 10. Income tax (continued)

	2022 $	2021 $
Prima facie income tax reconciliation		
Profit before income tax (expense)/benefit	147,751	24,777
Tax at the statutory tax rate of 25% (2021: 26%)	36,938	6,442
Tax effect of:		
Non-deductible expenses	-	4
Non-assessable income	-	(15,579)
Reduction in company tax rate	2,673	3,676
Income tax expense/(benefit)	**39,611**	**(5,457)**

	2022 $	2021 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	(3,934)	(5,554)
Employee benefits	55,436	54,769
Lease liabilities	76,979	137,167
Provision for lease make good	11,545	11,464
Accrued expenses	217	1,327
Superannuation payable	-	3,329
Right-of-use assets	(74,049)	(133,014)
Deferred tax asset	**66,194**	**69,488**

	2022 $	2021 $
Provision for income tax	**28,068**	**32,566**

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

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

Note 10. Income tax (continued)

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

Note 11. Cash and cash equivalents

	2022 $	2021 $
Cash on hand	224	89
Cash at bank and on hand	82,217	106,854
Term deposits	900,000	879,042
	982,441	**985,985**

Accounting policy for cash and cash equivalents

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

Note 12. Trade and other receivables

	2022 $	2021 $
Trade receivables	163,694	139,897
Other receivables	25,000	25,000
Prepayments	5,520	7,161
	30,520	**32,161**
	194,214	**172,058**

Accounting policy for trade and other receivables

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

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

Note 13. Property, plant and equipment

	2022 $	2021 $
Leasehold improvements - at cost	331,657	331,657
Less: Accumulated depreciation	(85,971)	(76,753)
	245,686	**254,904**
Plant and equipment - at cost	135,018	135,018
Less: Accumulated depreciation	(99,792)	(90,343)
	35,226	**44,675**
	280,912	**299,579**

Note 13. Property, plant and equipment (continued)

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

	Leasehold improvements $	Plant and equipment $	Total $
Balance at 1 July 2020	264,122	55,446	319,568
Depreciation	(9,218)	(10,771)	(19,989)
Balance at 30 June 2021	**254,904**	**44,675**	**299,579**
Depreciation	(9,218)	(9,449)	(18,667)
Balance at 30 June 2022	**245,686**	**35,226**	**280,912**

Accounting policy for property, plant and equipment

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

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

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

Leasehold improvements	10 to 40 years
Plant and equipment	2.5 to 26 years

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

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

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

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 14. Right-of-use assets

	2022 $	2021 $
Land and buildings - right-of-use	722,719	764,211
Less: Accumulated depreciation	(426,525)	(252,620)
	296,194	**511,591**

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

	Land and buildings $
Balance at 1 July 2020	206,251
Additions	489,320
Depreciation expense	(183,980)
Balance at 30 June 2021	**511,591**

Note 14. Right-of-use assets (continued)

	Land and buildings $
Remeasurement adjustments	(41,493)
Depreciation expense	(173,904)
Balance at 30 June 2022	**296,194**

Accounting policy for right-of-use assets

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

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

Refer to note 17 for more information on lease arrangements.

Note 15. Intangibles

	2022 $	2021 $
Franchise fee	21,780	21,780
Less: Accumulated amortisation	(11,875)	(7,175)
	9,905	**14,605**
Franchise renewal fee	108,900	108,900
Less: Accumulated amortisation	(59,373)	(35,875)
	49,527	**73,025**
	59,432	**87,630**

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

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 30 June 2020	19,193	95,965	115,158
Amortisation expense	(4,588)	(22,940)	(27,528)
Balance at 30 June 2021	**14,605**	**73,025**	**87,630**
Amortisation expense	(4,700)	(23,498)	(28,198)
Balance at 30 June 2022	**9,905**	**49,527**	**59,432**

Accounting policy for intangible assets

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

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

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

Note 15. Intangibles (continued)

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

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

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

Change in estimates

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

Note 16. Trade and other payables

	2022 $	2021 $
Current liabilities		
Trade payables	523	1,069
Other payables and accruals	178,042	170,449
	178,565	**171,518**
Non-current liabilities		
Other payables and accruals	**30,686**	**61,371**

Accounting policy for trade and other payables

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

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

Note 17. Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	165,528	207,893
Unexpired interest	(12,268)	(23,402)
	153,260	**184,491**
Non-current liabilities		
Land and buildings lease liabilities	160,985	363,861
Unexpired interest	(6,328)	(20,785)
	154,657	**343,076**

Note 17. Lease liabilities (continued)

Reconciliation of lease liabilities

	2022 $	2021 $
Opening balance	527,567	207,360
Additional lease liabilities recognised	-	487,499
Remeasurement adjustments	(41,167)	-
Lease interest expense	22,060	32,612
Lease payments - total cash outflow	(200,543)	(199,904)
	307,917	**527,567**

Maturity analysis

	2022 $	2021 $
Not later than 12 months	165,528	207,893
Between 12 months and 5 years	160,985	363,861
	326,513	**571,754**

Accounting policy for lease liabilities

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

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

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

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

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

The company's lease portfolio includes:

Carrum Downs branch	The lease agreement commenced in December 2014. A 5 year renewal option was exercised in December 2019. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are not reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is November 2024. The discount rate used in calculations is 5.39%.
Marriot Waters agency	The lease agreement commenced in February 2013 for a 10 year term. The company has 1 x 10 year renewal option available which for AASB 16: Leases purposes they are not reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is February 2023. The discount rate used in calculations is 5.39%.

Note 18. Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	107,063	101,962
Long service leave	99,446	106,642
	206,509	**208,604**
Non-current liabilities		
Long service leave	**2,103**	**2,046**

Accounting policy for employee benefits

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

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

Superannuation contributions

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

Short-term employee benefits

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

Other long-term employee benefits

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

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

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

Note 19. Provisions

	2022 $	2021 $
Lease make good	**46,181**	**44,093**

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

Note 19. Provisions (continued)

Lease	Lease term expiry date per AASB 16	Estimated provisions
Carrum Downs	November 2024	$25,000
Marriot Waters	February 2023	$25,000

Accounting policy for provisions

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

Note 20. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	345,510	345,510	345,510	345,510
Less: Return of capital (2019)	-	-	(86,377)	(86,377)
Less: Return of capital (2020)	-	-	(86,378)	(86,378)
Less: Return of capital (2021)	-	-	(86,378)	(86,378)
Less: Return of capital (2022)	-	-	(83,162)	-
	345,510	**345,510**	**3,215**	**86,377**

During the current year the shareholders resolved at the AGM on 22 November 2021, to make a further Return of Capital of $0.24 per share totalling $82,922.40. This was paid on 14 December 2021.

Accounting policy for issued capital

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

Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Note 20. Issued capital (continued)

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Note 21. Retained earnings

	2022 $	2021 $
Retained earnings at the beginning of the financial year	992,189	986,141
Profit after income tax (expense)/benefit for the year	108,140	30,234
Dividends paid (note 23)	(24,186)	(24,186)
Retained earnings at the end of the financial year	**1,076,143**	**992,189**

Note 22. Capital management

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

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

The distribution limit is the greater of:

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

Note 22. Capital management (continued)

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

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

Note 23. Dividends

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

	2022 $	2021 $
Fully franked dividend of 7 cents per share (2021: 7 cents)	**24,186**	**24,186**

Franking credits

	2022 $	2021 $
Franking account balance at the beginning of the financial year	486,740	495,238
Franking credits (debits) arising from income taxes paid (refunded)	40,816	-
Franking debits from the payment of franked distributions	(8,062)	(8,498)
	519,494	**486,740**
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	519,494	486,740
Franking credits (debits) that will arise from payment (refund) of income tax	28,068	32,566
Franking credits available for future reporting periods	**547,562**	**519,306**

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

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Note 24. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	163,694	139,897
Cash and cash equivalents	982,441	985,985
	1,146,135	**1,125,882**
Financial liabilities		
Trade and other payables	209,251	232,889
Lease liabilities	307,917	527,567
	517,168	**760,456**

Note 24. Financial instruments (continued)

Accounting policy for financial instruments

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

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

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

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

Financial risk management

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

Market risk

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

Price risk

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

Equity Price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX). All unlisted equity investments trade shares through a Low Volume Financial Market. Changes in equity securities value is recognised through profit or loss or other comprehensive income.

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $982,441 at 30 June 2022 (2021: $985,985). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Credit risk

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

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

Liquidity risk

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

Note 24. Financial instruments (continued)

Exposure to liquidity risk

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

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	178,565	30,686	-	209,251
Lease liabilities	165,528	160,985	-	326,513
Total non-derivatives	**344,093**	**191,671**	**-**	**535,764**

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	171,518	61,371	-	232,889
Lease liabilities	207,893	363,861	-	571,754
Total non-derivatives	**379,411**	**425,232**	**-**	**804,643**

Note 25. Key management personnel disclosures

The following persons were directors of Carrum Downs Financial Services Limited during the financial year:

- Mr Lindsay Wells
- Mrs Christine Swanson
- Mr Jason Pater
- Mr Gary Landy
- Hon Ken Smith AM

Compensation

Key management personnel compensation comprised the following.

	2022 $	2021 $
Short-term employee benefits	**81,125**	**106,763**

Compensation of the company's key management personnel includes salaries and contributions to a post-employment superannuation fund.

Note 26. Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	2022 $	2021 $
The company used the accounting services of one of its directors in relation to fees for tax returns, payroll and other related accounting services	4,675	2,700
The company used the bookkeeping/accounting services of one of its directors. The total benefit received was:	24,800	24,800

Note 26. Related party transactions (continued)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 27. Remuneration of auditors

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

	2022 $	2021 $
Audit services - unrelated firms		
Audit or review of the financial statements (Venn Milner Accounting Services)	**16,500**	**16,500**

Note 28. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 $	2021 $
Profit after income tax (expense)/benefit for the year	108,140	30,234
Adjustments for:		
Depreciation and amortisation	220,769	231,497
Lease liabilities interest	22,060	32,612
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(22,156)	3,973
Decrease/(increase) in deferred tax assets	3,294	(17,517)
Increase in trade and other payables	4,258	38,325
Decrease in provision for income tax	(4,498)	(12,059)
Increase/(decrease) in employee benefits	(2,038)	28,734
Increase in other provisions	2,414	2,255
Net cash provided by operating activities	**332,243**	**338,054**

Note 29. Earnings per share

	2022 $	2021 $
Profit after income tax	**108,140**	**30,234**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	345,510	345,510
Weighted average number of ordinary shares used in calculating diluted earnings per share	345,510	345,510

	Cents	Cents
Basic earnings per share	31.30	8.75
Diluted earnings per share	31.30	8.75

Accounting policy for earnings per share

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

Note 30. Commitments

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

Note 31. Contingencies

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

Note 32. Events after the reporting period

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

Directors' declaration

For the financial year ended 30 June 2022

In the directors' opinion:

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

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

On behalf of the directors

Lindsay (Malcolm) Wells
Chair

26 September 2022

Independent audit report

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Independent auditor’s report to the Directors of Carrum Downs Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Carrum Downs Financial Services Limited (the company), which comprises:

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

In our opinion, the accompanying financial report of Carrum Downs Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company’s financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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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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: 20 October 2022

Joshua Griffin
Lead Auditor

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Bendigo Bank