Annual Report 2023

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 2023

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

Time to reflect

24 years ago, a group of committed locals, a politician, and business people came together to return banking back to the Carrum Downs community, after the National Australia Bank closed its local branch. In 2013, we were also honoured to introduce banking to the Marriott Waters community.

I am pleased to say that during FY23 we have continued to support all our stakeholders. Our total donations have exceeded $4.7 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 has returned over $300 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. Our greatest achievement in the last 12 months was that we built a 'safe house' for women subjected to domestic violence, or young single mums, to help then get back on their feet. We took possession of the house just prior to Christmas 2022, as at 30 June 2023 we have helped two young women with secure housing.

This project would never have been possible without the support of you, our loyal shareholders, and we thank you sincerely.

Our Year

I am delighted to announce that we have continued to grow our business, with growth of $15.5 million in FY23. At the end of the financial year our total funds under management for Community Bank Carrum Downs and Marriott Waters were $354.9 million, representing an 4.5% increase in our business.

This year the company have made a profit of $667,129 compared to last year's profit of $108,140. This is after continuing our commitment and support to our local community.

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

One of the difficulties for banking in a high interest rate environment is that we are seeing customers selling investment properties, reducing that mortgage but also reducing the mortgage on their family home.

Staffing levels remains our biggest issue, an issue that is not limited to the banking industry but to a variety of industries. Despite this, according to recent staff surveys our staff are some of the happiest in the Bendigo Bank network.

Dividends and community contributions

In this past financial year, we have made a further dividend to our shareholders of $0.10 per share or $34,551.

Our community has also benefited during the last 12 months where we have distributed $494,921 (last year $54,200) to local community groups.

Chairman's report (continued)

What lies ahead?

As a Board we are committed to continuing to grow the business.

Community Bank Carrum Downs and Marriott Waters are 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 Len Barda our manager 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 our Senior Manager, Len Barda. They include Belinda Wood, Carolynne Johnson, Ros Geurts, Silvanna Horne, Gary Rowe, Ben McDonald, Laura Patterson and Rosina Morris. We also welcomed back Ben Crawford, and employed Sash Sushobhita. I would also like to acknowledge Chris Wood who works for us on secondment from Bendigo Bank. We said goodbye to Tysha Astudillo who was with us for a brief time.

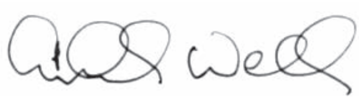
Our staff at your two branches continue to do an outstanding job in sometimes trying circumstances over the last 12 months. I thank them sincerely for their service.

I would also like to acknowledge my fellow Directors. Deputy Chair Christine Swanson, Treasurer Jason Pater (who returned to the Board in January 2023), Kenneth Smith, Gary Landy and our Company Secretary Emily Wiltshire.

We work in partnership with Bendigo Bank, and I would like to thank our Regional Manager Tracey Kelly for her hard work, support and commitment to our business in FY23.

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 24 years of delivering to our local community. Quite an achievement.

In closing, how wonderful is it that we are continue to grow and prosper.



Lindsay (Malcolm) Wells
Chair

Manager's report

For year ending 30 June 2023

Even after 41 years in the banking and finance industry, it still never ceases to amaze me what a difference a year can make. During the 2022 financial year, we were starting to see signs of a progressive recovery in both the economy and the way we were living our day-to-day lives as we emerged from the peak of the pandemic. Many of our customers had been forced to find different ways of doing their banking through the various electronic platforms available, with foot traffic in retail branches showing a consistent decrease. Reduced in-person customer interactions prompted us to find different ways to connect with our customers and deliver services. Our lending volumes were relatively stable at the time and most of the home loans we were providing were at in interest rate starting with a 1 or 2.

When I reflect on the most recent 12 months and the 2023 financial year, it's quite remarkable how much has changed in such a short period of time. The pandemic was no longer a hot topic and our day-to-day lives were returning to relative normality. We started to hear more about rising inflation, a cost of living crisis and we had 11 interest rate rises over the 12 months of FY2023. The 2% home loan interest rates seem like a distant memory and towards the end of the financial year, we were talking about interest rates starting with a 5 or 6. Increased cost of living and interest rates impacted households, reducing borrowing capacity and therefore the ability to achieve goals of home ownership. We also saw several "mum and dad" investors sell investment properties and repay both their investment loans and home loans due to the rising cost of finance.

Our business held up well during these volatile times and Community Bank Carrum Downs and Marriott Waters ended the 2023 financial year with total business on the books of $337 million and 9,365 customers operating 14,752 accounts. Customer transaction volumes grew slightly with 51,739 over the counter transactions completed, an increase of 11% from the previous financial year.

During the times of low interest rates and low margins in recent years, the Community Bank Board and staff had been working extremely hard to continue to grow our business while containing our costs. As interest rates rose over the past 12 months, our hard work and prudent business decisions resulted in revenue of $3.034 million and an operating profit of $1.38 million in FY2023, the highest level in our 24 years of operation.

As a Community Bank, our primary goal has always been to enhance community prosperity, not just benefit from it. In January of this year, we delivered a social housing project in partnership with the Payton Foundation Ltd. We purchased land, built, furnished and equipped a home, and have provided use of that home to assist young women and their children escaping domestic violence. This is the largest project we have completed as a Community Bank since we opened our doors in 1999. Tonight, there are some young mothers and their children sleeping safely in a comfortable home as a direct result of our Community Bank. I truly believe this is something that we should all be incredibly proud of and very grateful to be part of. It's about more than a house; it's about positively impacting lives in our community.

I would sincerely like to thank and congratulate our board, staff, customers, shareholders and partners on delivering such a significant and valuable project that will leave a long term legacy and continue to serve our community in perpetuity.

Len Barda
Senior Branch Manager

Directors' report

For the financial year ended 30 June 2023

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2023.

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:	Non-executive director
Qualifications:	CPA, B.Bus (Acc), Dip FinServ (Fin Plan)
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 the Chair of CSV Ltd (Casey, Clyde and Balcombe Grammar schools) and 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.
Special responsibilities:	Chair, Member of Audit and Finance Committee

Mrs Christine Swanson

Title:	Non-executive director
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

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

Title:	Non-executive director (appointed 24 January 2023)
Qualifications:	FCA, B.Comm, Dip FinServ (Fin Plan), FGIA
Experience and expertise:	Jason was one of the founding Directors of CDFS in 1999. He is a Chartered Accountant (Fellow) having starting his career with Pricewaterhouse Coopers, Jason has been working with small businesses and not-for-profits for over 30 years. Jason is the CEO of the Payton Foundation, and a Director of Payton Capital Ltd and is actively involved in the Board's Audit and Finance Committee.
Special responsibilities:	Treasurer and Chair of Audit and Finance Committee

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 was appointed to the role of Company Secretary at CDFS in August 2020. She has 16 years of company secretarial and governance experience, largely in private practice where she has assisted a range of private and public companies to manage their compliance obligations. In addition to her role at CDFS, Emily is employed as Governance Advisor at Scope (Aust) Ltd, supporting the Corporate Governance division. Emily holds a Bachelor of Arts, Bachelor of Science, and a Graduate Diploma in Applied Corporate Governance.

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 $667,129 (30 June 2022: $108,140).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.

Dividends

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

	2023 $
Fully franked dividend of 10 cents per share (2022: 7 cents)	**34,551**

Significant changes in the state of affairs

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

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 meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Board		Committee Meeting	
	Eligible	Attended	Eligible	Attended
Mr Lindsay (Malcolm) Wells	11	9	3	3
Mrs Christine Swanson	11	9	1	1
Mr Gary Landy	11	11	1	1
Hon Ken Smith AM	11	10	1	1
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 24 and 25 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 (Malcolm) Wells	23,001	-	23,001
Mrs Christine Swanson	3,002	-	3,002
Mr Gary Landy	-	-	-
Hon Ken Smith AM	-	-	-
Mr Jason Pater	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 26 to the accounts.

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

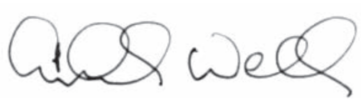
- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional 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

28 August 2023

Auditor’s independence declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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 2023, 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: 28 August 2023

Joshua Griffin
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

Statement of profit or loss and other comprehensive income
for the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue from contracts with customers	6	3,034,408	1,824,814
Other revenue		10,000	15,000
Finance revenue	7	37,001	3,226
Total revenue		**3,081,409**	**1,843,040**
Employee benefits expense	8	(1,107,945)	(1,070,102)
Advertising and marketing costs		(12,470)	(1,205)
Occupancy and associated costs		(44,298)	(41,322)
System costs		(88,495)	(100,414)
Depreciation and amortisation expense	8	(222,584)	(220,769)
Finance costs	8	(39,330)	(24,475)
General administration expenses		(181,798)	(182,802)
Total expenses before community contributions and income tax		**(1,696,920)**	**(1,641,089)**
Profit before community contributions and income tax		**1,384,489**	**201,951**
Charitable donations and sponsorships expense		(494,921)	(54,200)
Profit before income tax expense		**889,568**	**147,751**
Income tax expense	9	(222,439)	(39,611)
Profit after income tax expense for the year	**20**	**667,129**	**108,140**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**667,129**	**108,140**
		Cents	Cents
Basic earnings per share	28	193.09	31.30
Diluted earnings per share	28	193.09	31.30

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

Statement of financial position
a at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	10	1,820,931	982,441
Trade and other receivables	11	307,379	194,214
Total current assets		**2,128,310**	**1,176,655**
Non-current assets			
Property, plant and equipment	12	262,619	280,912
Right-of-use assets	13	990,277	296,194
Intangible assets	14	33,297	59,432
Deferred tax assets	9	80,899	66,194
Total non-current assets		**1,367,092**	**702,732**
Total assets		**3,495,402**	**1,879,387**
Liabilities			
Current liabilities			
Trade and other payables	15	259,995	178,565
Lease liabilities	16	150,934	153,260
Current tax liabilities	9	209,279	28,068
Employee benefits	17	251,658	206,509
Total current liabilities		**871,866**	**566,402**
Non-current liabilities			
Trade and other payables	15	-	30,686
Lease liabilities	16	874,793	154,657
Employee benefits	17	2,112	2,103
Provisions (lease make good)	18	34,695	46,181
Total non-current liabilities		**911,600**	**233,627**
Total liabilities		**1,783,466**	**800,029**
Net assets		**1,711,936**	**1,079,358**
Equity			
Issued capital	19	3,215	3,215
Retained earnings	20	1,708,721	1,076,143
Total equity		**1,711,936**	**1,079,358**

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 2023

	Note	Issued capital $	Retained earnings $	Total equity $
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	22	-	(24,186)	(24,186)
Return of capital	19	(83,162)	-	(83,162)
Balance at 30 June 2022		**3,215**	**1,076,143**	**1,079,358**
Balance at 1 July 2022		3,215	1,076,143	1,079,358
Profit after income tax expense		-	667,129	667,129
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		**-**	**667,129**	**667,129**
Transactions with owners in their capacity as owners:				
Dividends provided for	22	-	(34,551)	(34,551)
Balance at 30 June 2023		**3,215**	**1,708,721**	**1,711,936**

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 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,288,155	1,998,786
Payments to suppliers and employees (inclusive of GST)		(2,111,532)	(1,628,954)
Interest received		(14,510)	3,226
Income taxes paid		(55,933)	(40,815)
Net cash provided by operating activities	**27**	**1,106,180**	**332,243**
Cash flows from investing activities			
Payments for intangible assets		(27,896)	(27,896)
Net cash used in investing activities		**(27,896)**	**(27,896)**
Cash flows from financing activities			
Payments for return of capital	19	-	(83,162)
Dividends paid	22	(34,551)	(24,186)
Repayment of lease liabilities	16	(205,243)	(200,543)
Net cash used in financing activities		**(239,794)**	**(307,891)**
Net increase/(decrease) in cash and cash equivalents		838,490	(3,544)
Cash and cash equivalents at the beginning of the financial year		982,441	985,985
Cash and cash equivalents at the end of the financial year	**10**	**1,820,931**	**982,441**

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 2023

Note 1. Reporting entity

The financial statements cover Carrum Downs Financial Services Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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.

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 and are presented in Australian dollars, which is the company's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2023. The directors have the power to amend and reissue the financial statements.

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 2022, 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.

Note 3. Significant accounting policies (continued)

Impairment

Non-derivative financial assets

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2023.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets 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 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 that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. 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.

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 assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

The company assesses impairment of non-financial 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 as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions.

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

Recovery of deferred tax assets

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

Lease term

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

Incremental borrowing rate

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

Employee benefits provision

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

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

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

Lease make good provision

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

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in October 2024.

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.

Note 5. Economic dependency (continued)

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 6. Revenue from contracts with customers

	2023 $	2022 $
Margin income	2,668,062	1,440,805
Fee income	185,158	187,973
Commission income	181,188	196,036
	3,034,408	**1,824,814**

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

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

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

Revenue 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, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

Note 6. Revenue from contracts with customers (continued)

Margin

Margin on core banking products 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 including fees for loan applications and account transactions.

Core banking products

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

Ability to change financial return

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

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

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

Note 7. Finance revenue

	2023 $	2022 $
Interest revenue	**37,001**	**3,226**

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

Note 8. Expenses

Employee benefits expense

	2023 $	2022 $
Wages and salaries	921,085	920,260
Non-cash benefits	-	1,089
Superannuation contributions	95,831	92,367
Expenses related to long service leave	17,872	8,393
Other expenses	73,157	47,993
	1,107,945	**1,070,102**

Leases recognition exemption

	2023 $	2022 $
Expenses relating to low-value leases	**36,201**	**49,009**

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 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets		
Leasehold improvements	8,844	9,218
Plant and equipment	9,449	9,449
	18,293	**18,667**
Depreciation of right-of-use assets		
Leased land and buildings	**178,156**	**173,904**
Amortisation of intangible assets		
Franchise fee	4,356	4,700
Franchise renewal fee	21,779	23,498
	26,135	**28,198**
	222,584	**220,769**

Finance costs

	2023 $	2022 $
Lease interest expense	37,026	22,060
Unwinding of make-good provision	2,304	2,415
	39,330	**24,475**

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

Note 9. Income tax

	2023 $	2022 $
Income tax expense		
Current tax	235,804	36,318
Movement in deferred tax	(13,412)	620
Under/over adjustment	47	-
Reduction in company tax rate	-	2,673
Aggregate income tax expense	**222,439**	**39,611**
Prima facie income tax reconciliation		
Profit before income tax expense	**889,568**	**147,751**
Tax at the statutory tax rate of 25%	222,392	36,938
Tax effect of:		
Reduction in company tax rate	-	2,673
	222,392	**39,611**
Under/over adjustment	47	-
Income tax expense	**222,439**	**39,611**

	2023 $	2022 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	(2,621)	(3,934)
Employee benefits	63,442	55,436
Lease liabilities	256,432	76,979
Provision for lease make good	8,674	11,545
Accrued expenses	1,619	217
Right-of-use assets	(246,647)	(74,049)
Deferred tax asset	**80,899**	**66,194**

	2023 $	2022 $
Provision for income tax	**209,279**	**28,068**

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 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.

Note 9. Income tax (continued)

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

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

Note 10. Cash and cash equivalents

	2023 $	2022 $
Cash on hand	189	224
Cash at bank and on hand	120,742	82,217
Term deposits	1,700,000	900,000
	1,820,931	**982,441**

Accounting policy for cash and cash equivalents

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

Note 11. Trade and other receivables

	2023 $	2022 $
Trade receivables	**261,725**	**163,694**
Other receivables	25,000	25,000
Accrued income	14,510	-
Prepayments	6,144	5,520
	45,654	**30,520**
	307,379	**194,214**

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 12. Property, plant and equipment

	2023 $	2022 $
Leasehold improvements - at cost	331,657	331,657
Less: Accumulated depreciation	(94,815)	(85,971)
	236,842	**245,686**
Plant and equipment - at cost	135,018	135,018
Less: Accumulated depreciation	(109,241)	(99,792)
	25,777	**35,226**
	262,619	**280,912**

Note 12. Property, plant and equipment (continued)

Reconciliations of the carrying 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 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**
Depreciation	(8,844)	(9,449)	(18,293)
Balance at 30 June 2023	**236,842**	**25,777**	**262,619**

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 13. Right-of-use assets

	2023 $	2022 $
Land and buildings - right-of-use	1,594,957	722,719
Less: Accumulated depreciation	(604,680)	(426,525)
	990,277	**296,194**

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

	Land and buildings $
Balance at 1 July 2021	511,591
Remeasurement adjustments	(41,493)
Depreciation expense	(173,904)
Balance at 30 June 2022	**296,194**

Note 13. Right-of-use assets (continued)

	Land and buildings $
Remeasurement adjustments	872,239
Depreciation expense	(178,156)
Balance at 30 June 2023	**990,277**

Accounting policy for right-of-use assets

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

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

Refer to note 16 for more information on lease arrangements.

Note 14. Intangible assets

	2023 $	2022 $
Franchise fee	21,780	21,780
Less: Accumulated amortisation	(16,231)	(11,875)
	5,549	**9,905**
Franchise renewal fee	108,900	108,900
Less: Accumulated amortisation	(81,152)	(59,373)
	27,748	**49,527**
	33,297	**59,432**

Reconciliations of the carrying 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 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**
Amortisation expense	(4,356)	(21,779)	(26,135)
Balance at 30 June 2023	**5,549**	**27,748**	**33,297**

Accounting policy for intangible assets

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

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

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

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

Note 14. Intangible assets

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 and adjusted, if appropriate, at each reporting date.

Change in estimates

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

Note 15. Trade and other payables

	2023 $	2022 $
Current liabilities		
Trade payables	6,375	523
Other payables and accruals	253,620	178,042
	259,995	**178,565**
Non-current liabilities		
Other payables and accruals	**-**	**30,686**

Accounting policy for trade and other payables

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

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

Note 16. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	214,030	165,528
Unexpired interest	(63,096)	(12,268)
	150,934	**153,260**
Non-current liabilities		
Land and buildings lease liabilities	1,228,143	160,985
Unexpired interest	(353,350)	(6,328)
	874,793	**154,657**

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	307,917	527,567
Remeasurement adjustments	886,027	(41,167)
Lease interest expense	37,026	22,060
Lease payments - total cash outflow	(205,243)	(200,543)
	1,025,727	**307,917**

Note 16. Lease liabilities (continued)

Maturity analysis

	2023 $	2022 $
Not later than 12 months	214,030	165,528
Between 12 months and 5 years	451,813	160,985
Greater than 5 years	776,330	-
	1,442,173	**326,513**

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 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:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Carrum Downs branch	5.39%	5 years	1 x 5 years	No	November 2024
Marriot Waters agency	6.75%	6 years 11 months	1 x 5 years	Yes	December 2034

Remeasurement adjustments

During the financial year the Marriot Waters agency lease was extended. As such an adjustment was required for the remeasurement of the lease liability and right-of-use asset.

Note 17. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	136,119	107,063
Long service leave	115,539	99,446
	251,658	**206,509**
Non-current liabilities		
Long service leave	**2,112**	**2,103**

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 18. Provisions (lease make good)

	2023 $	2022 $
Lease make good provision	**34,695**	**46,181**

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 the 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.

Lease	Lease term expiry date per AASB 16	Estimated provisions
Carrum Downs branch	November 2024	$25,000
Marriot Waters agency	December 2034	$25,000

Note 18. Provisions (lease make good) (continued)

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. The provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 19. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
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)	(83,162)
	345,510	**345,510**	**3,215**	**3,215**

Accounting policy for issued capital

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

Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Note 19. Issued capital (continued)

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 their associates) has a prohibited shareholding interest in are suspended

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

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

Note 20. Retained earnings

	2023 $	2022 $
Retained earnings at the beginning of the financial year	1,076,143	992,189
Profit after income tax expense for the year	667,129	108,140
Dividends paid (note 22)	(34,551)	(24,186)
Retained earnings at the end of the financial year	**1,708,721**	**1,076,143**

Note 21. Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 22. Dividends

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.

	2023 $	2022 $
Fully franked dividend of 10 cents per share (2022: 7 cents)	**34,551**	**24,186**

Franking credits

	2023 $	2022 $
Franking account balance at the beginning of the financial year	519,494	486,740
Franking credits (debits) arising from income taxes paid (refunded)	55,932	40,816
Franking debits from the payment of franked distributions	(11,517)	(8,062)
	563,909	**519,494**
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	563,909	519,494
Franking credits (debits) that will arise from payment (refund) of income tax	209,279	28,068
Franking credits available for future reporting periods	**773,188**	**547,562**

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

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Note 23. Financial instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	276,235	163,694
Cash and cash equivalents	1,820,931	982,441
	2,097,166	**1,146,135**
Financial liabilities		
Trade and other payables	259,995	209,251
Lease liabilities	1,025,727	307,917
	1,285,722	**517,168**

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.

Note 23. Financial instruments (continued)

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.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of $1,820,931 at 30 June 2023 (2022: $982,441).

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.

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, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

Liquidity risk

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

Exposure to liquidity risk

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

	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
2023				
Trade and other payables	259,995	-	-	259,995
Lease liabilities	214,030	451,813	776,330	1,442,173
Total non-derivatives	**474,025**	**451,813**	**776,330**	**1,702,168**

Note 23. Financial instruments (continued)

	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
2022				
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**

Note 24. Key management personnel disclosures

The following persons were directors of Carrum Downs Financial Services Limited during the financial year and/or up to the date of signing of these Financial Statements.

Mr Lindsay (Malcolm) Wells
Mrs Christine Swanson
Mr Gary Landy
Hon Ken Smith AM
Mr Jason Pater

Compensation

Key management personnel compensation comprised the following.

	2023 $	2022 $
Short-term employee benefits	73,750	73,750
Post-employment benefits	7,375	7,375
	81,125	**81,125**

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

Note 25. Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	2023 $	2022 $
The company used the accounting services of entities connected to one of its directors for tax returns, payroll processing and other related accounting services.	4,675	4,675
The company used the bookkeeping/accounting services of a company controlled by one of the directors.	24,800	24,800
A director is the CEO of Payton Foundation. The company made donations to Payton Foundation.	436,040	-
A family member of a director is engaged on a fortnightly basis for gardening services.	1,560	-

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

Note 26. Remuneration of auditors

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

	2023 $	2022 $
Audit services		
Audit or review of the financial statements - Andrew Frewin Stewart	10,000	-
Audit or review of the financial statements - Venn Milner Accounting Services	-	16,500
	10,000	**16,500**
Other services		
General advisory services	2,600	-
Share registry services	1,132	-
	3,732	**-**

Note 27. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 $	2022 $
Profit after income tax expense for the year	667,129	108,140
Adjustments for:		
Depreciation and amortisation	222,584	220,769
Lease liabilities interest	37,026	22,060
Change in operating assets and liabilities:		
Increase in trade and other receivables	(113,165)	(22,156)
Decrease/(increase) in deferred tax assets	(14,705)	3,294
Increase in trade and other payables	78,638	4,258
Increase/(decrease) in provision for income tax	181,211	(4,498)
Increase/(decrease) in employee benefits	45,158	(2,038)
Increase in other provisions	2,304	2,414
Net cash provided by operating activities	**1,106,180**	**332,243**

Note 28. Earnings per share

	2023 $	2022 $
Profit after income tax	**667,129**	**108,140**

	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	193.09	31.30
Diluted earnings per share	193.09	31.30

Note 28. Earnings per share (continued)

Accounting policy for earnings per share

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

Note 29. Commitments

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

Note 30. Contingencies

There were no contingent liabilities or contingent assets at the date of this report.

Note 31. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 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

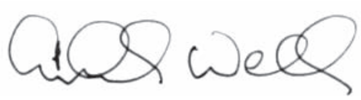
For the financial year ended 30 June 2023

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 2023 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

28 August 2023

Independent audit report

Andrew Frewin Stewart
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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 2023
- 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 2023 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.

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Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company'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. We have nothing to report in this regard.

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.

The directors are responsible for overseeing the company's financial reporting process.

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.

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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.

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: 28 August 2023

Joshua Griffin
Lead Auditor

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Bendigo Bank