Annual Report 2022

Drouin & District Community Financial Services Limited

Community Bank
Drouin & District

ABN 37 096 687 240

DROUIN & DISTRICT
COMMUNITY FINANCIAL SERVICES LTD
30 June 2021

ABN 37 096 687 240

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CHAIR REPORT

On behalf of Drouin and District Community Financial Services Limited, I am pleased to present the 21st Annual Report.

The results again this year have been very positive and met expectations despite a challenging environment for all sectors of our economy including the banking sector. It has been another successful year for the company.

Our Branch Manager, Rob Hutchinson, has been with us for 6 years and his wide breadth of experience and enthusiasm has had a positive impact on our performance. Rob continues to build strong relationships with our many community partners and community leaders which stand us in good stead going forward.

We maintain our strong commitment to Drouin, Longwarry and our surrounding community. With the departure of the ANZ, we are now the only bank in Drouin and remain committed to our community. We are continuing to build our presence in Warragul as well. We have distributed approximately $282,561 in the past year which includes community investments, grants and dividends to shareholders. Over the past 21 years, we have distributed a total of over $6.9 million to our community.

We have returned to having quarterly grant presentations this year and these have been well attended. Our grant presentations give recipients an understanding of the breadth of community organisations that we have supported. These functions also highlight how Community Banks are different, and how we are able to strengthen our community. Participants leave these functions knowing that they are part of something special.

Our shareholders are always our key responsibility. The table below highlights the dividends for previous years which have been very good. In 2021, the Board paid a fully franked dividend of 0.15 cents per share. They also received a special 20th birthday dividend of 0.10 cents per share.

This year with our solid performance over 2022, this dividend will be 18 cents per share to those people who hold shares at the close of business on 28th February 2023. The company's performance this year, by any standard, has been a strong one for shareholders and our community.

Financial year	Cents per share	Dividend Declared $	Dividend Paid $
2004/2005	3.5	21,552	21,552
2005/2006	6	36,945	36,945
2006/2007	11	67,733	67,733
2007/2008	12	73,890	73,890
2008/2009	12	73,890	73,890
2009/2010	14	86,205	86,205
2010/2011	17	104,677	104,677
2011/2012	18	110,835	110,835
2012/2013	18	110,835	110,835
2012/2013 (Special)	5	30,787	30,787
2013/2014	18	110,835	110,835

2014/2015	18	110,835	110,835
2015/2016	25	153,937	153,937
2016/2017	25	153,937	153,937
2017/2018	25	153,937	153,937
2018/2019	25	153,937	153,937
2019/2020	15	92,362	92,362
2021/2022	15	92,362	92,362
2021/2022 (Special)	10	61,575	61,575
2022/23	18	110,835	110,835

Our company's new purpose-built boardroom and offices, a sizable community meeting space and 2 shops on the land on the corner of Bank Place and Young Street are being fully utilized. Both shops have been leased, and our meeting space for community groups is regularly used by a wide variety of not for profit organisations. The Board has leased the old Boardroom and office space in the State Bank building.

I would like to thank our Branch Manager Rob Hutchinson and our wonderful branch team for their dedication over the past year. Their work in tackling the on-going challenges have contributed to the company's success. Bruce Sorrell also celebrated 15 years of great service for our bank. I would also like to thank our hard-working directors who have been a great team, our company staff Julieanne Palinkas and Helen Taylor and our franchise partner Bendigo Bank.

During the last year the Board welcomed Josh Chikuse as a director. I would like to recognise three of our directors who are retiring by rotation this year. They are Kim Rees, Rod Dunlop and Matt Williamson. They have all made substantial positive contributions to our Board during their time on it. I especially want to recognise the huge contribution that Kim Rees has made to our Board and the Bank over his numerous years of service. Kim has indicated that he will be retiring from his director role and will not be renominating.

I am pleased that Matt Williamson and myself are renominating as directors. I am pleased to report that Josh Chikuse will also be nominating for election by shareholders. Josh was seconded to the Board this year and has been a director for the past few months.

The Board believes that the outlook for the next 12 months will be more positive than this time last year. We have developed a budget that is realistic and achievable. The Board, in partnership with our branch team, will work hard to achieve our goals. We thank our shareholders for their continued support and trust.

Rodney Dunlop

Board Chair

BRANCH MANAGER'S REPORT

This past year has seen us transition from the past years of covid impacts into a new environment of rising interest rates designed to reign in inflationary pressures. The shift in interest rates clearly has a positive impact for deposit holders which has bolstered growth in bank deposits. On the other side, rising interest rates has gradually slowed enquiry and prompted home loan customers to review their interest rate particularly as household expenses are rising faster than wages growth. Pleasingly, as an essential service we have maintained our full trading hours and staffing to ensure that we can fully support our customer base face to face and via telephone. Over this past year we have also built on our digital capability for loan processing.

The positives last year were:

- Since our last Annual Report, we have continued to grow our banking business to circa $293 million with net growth of $13.5m against a plan of $14.6m.
- Annual income was 103% of budget projections
- Net profit was $302k against budget projection of $59k
- Customer numbers have grown to 5,800

Again, I would like to thank our dedicated staff members: Bruce Sorrell, Katy Slater, Lis Webster, Jade Dance, Michele Sandford, Kalani Pakoti and Trudy DeCrescenzo. On August 13th Bruce celebrated his 15th anniversary with us and was awarded a special gift from the Board. We are continuing to invest in the development of our people as the way we transact with our customers increasingly by phone is becoming the new norm. In line with industry trends we experienced a 10% reduction in transaction numbers which based on research is below the norm.

I sincerely thank the volunteer Board of Directors and administrative staff for their ongoing leadership, effort, time and continued support. The relationship between our Board and Branch team is very important as we work toward a common goal of making our community a better place.

To our shareholders, community groups, local clubs and customers, I sincerely say thank you for choosing Community Bank Drouin & District as your bank of choice. It is your support that enables us to continue to invest in the community. You are the voice and our story needs to be told at every opportunity to increase awareness throughout the community.

Thank you to our franchise partner, Bendigo & Adelaide Bank Limited who continue to support us as we grow in partnership with them and our community.

We are a real alternative to the major banks and we are capitalising on that goodwill and uncertainty within the overall banking sector.

The move to digital banking is exciting and Bendigo and Adelaide Bank Limited has committed to making this a priority. We are already ahead when it comes to our online offerings. For those customers who don't want to step into a traditional bank, that's great news and we're looking forward to advances in this area by Bendigo and Adelaide Bank.

For those people who want to continue the tradition of coming to the branch – we're not going anywhere. We're still here and committed to helping you over the counter with all of your banking needs.

Banking is an everyday function for every single person in the community.

The difference with the Community Bank model is that every time people bank with their local Community Bank Branch, the bottom line increases allowing us to provide more funds for our community.

The strength of Community Bank Drouin & District is built on the back of our community in partnership with the people of Drouin, Warragul, Longwarry and the surrounding areas.

To ensure our continued success we encourage our shareholders, community sponsorship/grant recipients and their members to transfer their banking arrangements and also consider the range of competitive Bendigo Bank financial products available through Community Bank Drouin & District. We also encourage existing customers, shareholders and Directors to not only bank with us but to spread the word and advocate for Community Bank Drouin & District.

On behalf of Community Bank Drouin & District, I thank you all for your ongoing support and look forward to another successful year ahead.

Rob Hutchinson
Branch Manager

Drouin & District Community Financial Services Limited

ABN 37 096 687 240

Financial Report - 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:

Name:	Rodney Bruce Dunlop
Title:	Chair
Experience and expertise:	Business Manager, Bachelor of Economics and a Master of Education, ex School Principal.
Name:	Kim David Rees
Title:	Non-executive director
Experience and expertise:	Business Owner and foundation director of company.
Name:	Roberto James Celada
Title:	Non-executive director
Experience and expertise:	Bachelor of Laws/Bachelor of Science (Genetics), business owner.
Name:	Matthew Marc Williamson
Title:	Non-executive director
Experience and expertise:	Extensive experience with banking and financial services in governance, internal audit & risk management, financial management. Bachelor of Commerce (Accounting), Master of Applied Finance, MAICD.
Name:	Vanessa Louise Marsh
Title:	Non-executive director
Experience and expertise:	Manager for over 10 years in the TAFE/VET sector, Bachelor of Education.
Name:	(Patrick) Sean Walsh
Title:	Non-executive director
Experience and expertise:	20 years banking (NAB) 1964 - 1984. Construction and engineering 1984 - current. Dairying and farming - Cattle and horses 1978 - 1999. Yooralla Community Partnership Advisory Committee 2014 - current. Run director - Warragul Parkrun 2017 - current. Licenced private pilot 1981 - current. Australian Bank Employees Union 1967 - 1984. Administrative Officer, Bunyip Community Bank 2012 - 2019. Various times: President National Bank Sub branch, Victorian Division Treasurer, Conference delegate, Federal executive member.
Name:	Sonia Gaye Lombardo
Title:	Non-executive director *(appointed 27 July 2021)*
Experience and expertise:	Small Business Manager
Name:	(Liberty) Joshua Chikuse
Title:	Non-executive director *(appointed 26 July 2022)*
Experience and expertise:	Joshua is a Planning Manager holding a bachelor of Environmental Science and Applied Corporate Governance postgraduate GAICD & GIA with extensive experience in strategy and governance.
Name:	Brett Allan McKellar
Title:	Non-executive director *(resigned 13 September 2021)*
Experience and expertise:	Business manager

Company secretary
The Company secretary is Rob Celada. Rob was appointed to the position of Company secretary on 28 November 2017.

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 $226,097 (30 June 2021: $208,035).

Operations have continued to perform in line with expectations.

Dividends
In the prior financial year, the following dividends were declared and provided for but not paid. The dividends have been paid for in the financial statements.

	2021 $
Fully franked dividend of 15 cents per share	92,362
Special fully franked dividend of 10 cents per share	61,575
	153,937

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		Marketing Committee	
	Eligible	Attended	Eligible	Attended
Rodney Bruce Dunlop	13	13	11	11
Kim David Rees*	8	5	6	4
Roberto James Celada	13	12	11	10
Matthew Marc Williamson	13	13	11	8
Vanessa Louise Marsh	13	13	11	11
(Patrick) Sean Walsh**	11	10	9	8
Sonia Gaye Lombardo	12	12	10	10
(Liberty) Joshua Chikuse	-	-	-	-
Brett Allan McKellar***	-	-	-	-

* Leave of absence from February 2022 - December 2022
** Leave of absence from May 2022 - December 2022
*** Sick leave from July 2021 - August 2021

Eligible: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Directors' benefits
No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 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
Rodney Bruce Dunlop	200	-	200
Kim David Rees	5,000	-	5,000
Roberto James Celada	250	-	250
Matthew Marc Williamson	-	-	-
Vanessa Louise Marsh	-	-	-
(Patrick) Sean Walsh	-	-	-
Sonia Gaye Lombardo	500	-	500
(Liberty) Joshua Chikuse	-	-	-
Brett Allan McKellar	-	-	-

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 (Andrew Frewin Stewart) 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

Rodney Bruce Dunlop
Chairman

27 September 2022

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 Drouin & District Community Financial Services Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 27 September 2022

Joshua Griffin
Lead Auditor

Drouin & District Community Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	6	1,330,158	1,310,846
Other revenue	7	103,283	56,917
Finance revenue		1,483	7,830
Fair value gains/(losses) on financial assets	8	(1,997)	4,683
Employee benefits expense	9	(626,486)	(636,785)
Advertising and marketing costs		(27,976)	(12,910)
Occupancy and associated costs		(79,225)	(62,946)
System costs		(51,241)	(53,525)
Depreciation and amortisation expense	9	(61,691)	(45,468)
General administration expenses		(156,401)	(175,191)
Profit before community contributions and income tax expense		429,907	393,451
Charitable donations and sponsorships expense		(128,624)	(124,773)
Profit before income tax expense		301,283	268,678
Income tax expense	10	(75,186)	(60,643)
Profit after income tax expense for the year	20	226,097	208,035
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax		-	3,647
Other comprehensive income for the year, net of tax		-	3,647
Total comprehensive income for the year		226,097	211,682
		Cents	**Cents**
Basic earnings per share	29	36.72	33.79
Diluted earnings per share	29	36.72	33.79

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

Drouin & District Community Financial Services Limited
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	11	1,225,131	1,200,861
Trade and other receivables	12	138,384	87,916
Current tax assets	10	3,894	-
Total current assets		1,367,409	1,288,777
Non-current assets			
Trade and other receivables	12	2,478	2,478
Financial assets	14	13,188	14,445
Property, plant and equipment	13	2,941,291	2,981,586
Intangibles	15	62,186	9,327
Total non-current assets		3,019,143	3,007,836
Total assets		4,386,552	4,296,613
Liabilities			
Current liabilities			
Trade and other payables	16	90,385	270,608
Current tax liabilities	10	-	13,396
Employee benefits	17	44,396	53,611
Total current liabilities		134,781	337,615
Non-current liabilities			
Trade and other payables	16	43,795	-
Deferred tax liabilities	10	211,518	191,764
Employee benefits	17	9,757	6,630
Total non-current liabilities		265,070	198,394
Total liabilities		399,851	536,009
Net assets		3,986,701	3,760,604
Equity			
Issued capital	18	615,750	615,750
Reserves	19	612,993	612,993
Retained earnings	20	2,757,958	2,531,861
Total equity		3,986,701	3,760,604

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

Drouin & District Community Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2022

	Note	Issued capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 July 2020		615,750	609,346	2,477,763	3,702,859
Profit after income tax expense		-	-	208,035	208,035
Other comprehensive income, net of tax		-	-	-	-
Net gain on revaluation of land and buildings		-	3,647	-	3,647
Total comprehensive income		-	3,647	208,035	211,682
Transactions with owners in their capacity as owners:					
Dividends provided for	22	-	-	(153,937)	(153,937)
Balance at 30 June 2021		615,750	612,993	2,531,861	3,760,604

	Note	Issued capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 July 2021		615,750	612,993	2,531,861	3,760,604
Profit after income tax expense		-	-	226,097	226,097
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	226,097	226,097
Balance at 30 June 2022		615,750	612,993	2,757,958	3,986,701

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

Drouin & District Community Financial Services Limited
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)		1,530,561	1,521,013
Payments to suppliers and employees (inclusive of GST)		(1,271,750)	(1,113,146)
		258,811	407,867
Interest received		1,483	7,830
Income taxes paid		(72,722)	(42,973)
Net cash provided by operating activities	28	187,572	372,724
Cash flows from investing activities			
Payments for property, plant and equipment		(9,365)	(838,547)
Net cash used in investing activities		(9,365)	(838,547)
Cash flows from financing activities			
Dividends paid	22	(153,937)	(92,363)
Net cash used in financing activities		(153,937)	(92,363)
Net increase/(decrease) in cash and cash equivalents		24,270	(558,186)
Cash and cash equivalents at the beginning of the financial year		1,200,861	1,759,047
Cash and cash equivalents at the end of the financial year	11	1,225,131	1,200,861

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

Note 1. Reporting entity

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 42 Princes Way, Drouin, VIC, 3818.

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 27 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.

Fair value measurement hierarchy
The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1:	inputs are based on the quoted market price at the close of business at the end of the reporting period
Level 2:	inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market
Level 3:	unobservable inputs for the asset or liability.

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

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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

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

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

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.

Note 5. Economic dependency

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

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

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

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

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
- providing payroll services.

Note 6. Revenue from contracts with customers

	2022 **$**	**2021** **$**
Margin income	1,088,548	1,104,132
Fee income	108,708	107,650
Commission income	132,902	99,064
Revenue from contracts with customers	1,330,158	1,310,846

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. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Note 6. Revenue from contracts with customers (continued)

Margin
Margin is arrived at through the following calculation:

	Interest paid by customers on loans less interest paid to customers on deposits
plus:	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
minus:	any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

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

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

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

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

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

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

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

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

Note 7. Other revenue

	2022 $	2021 $
Insurance proceeds	39,250	-
Cash flow boost	-	29,361
Dividend and distribution income	740	536
Rental income	63,293	26,808
Other income	-	212
Other revenue	103,283	56,917

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.

Note 7. Other revenue (continued)

Revenue stream	Revenue recognition policy
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).
Rental Income	Rental income from right-of-use assets subleased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of GST.

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 8. Fair value gains/(losses) on financial assets

	2022 $	2021 $
Fair value gains/(losses) on financial assets	(1,997)	4,683

These amounts relate to the increase and decrease in the market value of financial assets held by the company.

Note 9. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Buildings	49,223	24,276
Plant and equipment	437	10,000
	49,660	34,276
Amortisation of intangible assets		
Franchise fee	2,316	2,239
Franchise renewal fee	9,715	8,953
	12,031	11,192
	61,691	45,468

Note 9. Expenses (continued)

Employee benefits expense

	2022 $	2021 $
Wages and salaries	534,146	517,411
Non-cash benefits	-	4,428
Superannuation contributions	54,643	41,160
Expenses related to long service leave	(4,075)	5,721
Other expenses	41,772	68,065
	626,486	636,785

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	22,113	24,136
Expenses relating to short-term leases	6,138	6,138
	28,251	30,274

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.

The company pays for the right to use the land surrounding the branch building. The lease agreement is expired and continue on existing terms on a month-by-month basis with no significant penalty for termination. As such the leases have been assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.

Note 10. Income tax

	2022 $	2021 $
Income tax expense		
Current tax	55,646	82,181
Movement in deferred tax	19,754	(13,916)
Under/over adjustment	103	-
Reduction in company tax rate	-	(7,622)
Net benefit of franking credits on dividends received	(317)	-
Aggregate income tax expense	75,186	60,643
Prima facie income tax reconciliation		
Profit before income tax expense	301,283	268,678
Tax at the statutory tax rate of 25% (2021: 26%)	75,321	69,856
Tax effect of:		
Tax offset for franked dividends	(317)	-
Non-assessable income	-	(7,635)
Reduction in company tax rate	-	(7,622)
Other assessable income	79	-
Movement in deferred tax	-	6,044
	75,083	60,643
Under/over adjustment	103	-
Income tax expense	75,186	60,643

	2022 $	2021 $
Deferred tax liabilities/(assets)		
Property, plant and equipment	207,870	207,076
Accounts receivable	28,565	19,981
Financial assets at fair value through profit or loss	(1,259)	(760)
Prepayments	3,175	-
Employee benefits	(20,838)	(15,060)
Accrued expenses	(4,375)	(16,442)
Accounts payable	(1,620)	(3,031)
Deferred tax liability	211,518	191,764

	2022 $	2021 $
Income tax refund due	3,894	-

	2022 $	2021 $
Provision for income tax	-	13,396

Note 10. Income tax (continued)

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

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

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

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

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

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

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

Note 11. Cash and cash equivalents

	2022 $	2021 $
Cash at bank and on hand	507,154	485,677
Term deposits	717,977	715,184
	1,225,131	1,200,861

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	125,684	87,916
Prepayments	12,700	-
	138,384	87,916
Non-current assets		
Other receivables and accruals	2,478	2,478

Note 12. Trade and other receivables (continued)

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 $
Land - at fair value	1,187,882	1,187,882
Buildings - at cost and fair value	1,968,890	1,965,024
Less: Accumulated depreciation	(220,544)	(171,320)
	1,748,346	1,793,704
Plant and equipment - at cost	248,375	242,875
Less: Accumulated depreciation	(243,312)	(242,875)
	5,063	-
Motor vehicles - at cost	34,461	34,461
Less: Accumulated depreciation	(34,461)	(34,461)
	-	-
	2,941,291	2,981,586

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

	Land $	Buildings $	Plant and equipment $	Total $
Balance at 1 July 2020	1,187,882	984,570	-	2,172,452
Additions	-	828,547	10,000	838,547
Revaluation increments	-	4,863	-	4,863
Depreciation	-	(24,276)	(10,000)	(34,276)
Balance at 30 June 2021	1,187,882	1,793,704	-	2,981,586
Additions	-	3,865	5,500	9,365
Depreciation	-	(49,223)	(437)	(49,660)
Balance at 30 June 2022	1,187,882	1,748,346	5,063	2,941,291

Fair value
The fair value of land and buildings was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the company's investment property portfolio every 3 to 5 years.

The company's Drouin and Princess Way properties were independently valued effective 30 June 2020 by Williamson's Real Estate on 12 August 2020.

Note 13. Property, plant and equipment (continued)

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:

Building	40 years
Plant and equipment	1 to 10 years
Motor vehicles	1 year

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

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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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. Financial assets

	2022 $	2021 $
Equity securities - designated at fair value through profit or loss	13,188	14,445

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

	2022 $	2021 $
Opening fair value	14,445	9,386
Additions	740	376
Revaluation increments	-	4,683
Revaluation decrements	(1,997)	-
Closing carrying amount	13,188	14,445

Accounting policy for financial assets
Financial assets are recognised at their market value. Financial assets are derecognised when the rights to receive cash flows have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Note 15. Intangibles

	2022 $	2021 $
Franchise fee	22,007	11,192
Less: Accumulated amortisation	(11,643)	(9,327)
	10,364	1,865
Franchise renewal fee	98,844	44,769
Less: Accumulated amortisation	(47,022)	(37,307)
	51,822	7,462
	62,186	9,327

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

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	4,104	16,415	20,519
Amortisation expense	(2,239)	(8,953)	(11,192)
Balance at 30 June 2021	1,865	7,462	9,327
Additions	10,815	54,075	64,890
Amortisation expense	(2,316)	(9,715)	(12,031)
Balance at 30 June 2022	10,364	51,822	62,186

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

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

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

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise Fee	Straight-line	Over the franchise term (5 years)	April 2027
Franchise Renewal Fee	Straight-line	Over the franchise term (5 years)	April 2027

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	7,130	13,338
Other payables and accruals	83,255	257,270
	90,385	270,608
Non-current liabilities		
Other payables and accruals	43,795	-

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. Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	24,038	21,106
Long service leave	20,358	32,505
	44,396	53,611
Non-current liabilities		
Long service leave	9,757	6,630

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.

Note 17. Employee benefits (continued)

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. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	615,750	615,750	615,750	615,750

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

Rights attached to issued capital

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

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

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

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

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

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

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

Note 18. Issued capital (continued)

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").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 299. As at the date of this report, the company had 320 shareholders (2021: 321 shareholders).

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 19. Reserves

	2022 $	**2021 $**
Revaluation surplus reserve	612,993	612,993

Revaluation surplus reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Revaluation Reserve $	Total $
Balance at 1 July 2020	609,346	609,346
Revaluation of property plant and equipment	3,647	3,647
Balance at 30 June 2021	612,993	612,993
Balance at 30 June 2022	612,993	612,993

Note 20. Retained earnings

	2022 $	2021 $
Retained earnings at the beginning of the financial year	2,531,861	2,477,763
Profit after income tax expense for the year	226,097	208,035
Dividends paid (note 22)	-	(153,937)
Retained earnings at the end of the financial year	2,757,958	2,531,861

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

Dividends paid during the period
The following dividends were paid to shareholders during the reporting period as presented in the Statement of cash flows.

	2022 $	2021 $
Fully franked dividend of 25 cents per share (2021: 15 cents)	153,937	92,363

Dividends provided for during the period
The following dividends were provided for during the reporting period as presented in the Statement of changes in equity.

	2022 $	2021 $
Fully franked dividend in prior period of 25 cents	-	153,937

Note 22. Dividends (continued)

Franking credits

	2022 $	2021 $
Franking account balance at the beginning of the financial year	1,085,630	1,074,948
Franking credits (debits) arising from income taxes paid (refunded)	72,723	42,973
Franking debits from the payment of franked distributions	317	161
Franking credits from franked distributions received	-	(32,452)
	1,158,670	1,085,630
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	1,158,670	1,085,630
Franking credits (debits) that will arise from payment (refund) of income tax	(3,894)	13,396
Franking debits that will arise from payment of dividends subsequent to financial year end	-	(51,313)
Franking credits available for future reporting periods	1,154,776	1,047,713

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

Accounting policy for dividends
Dividends are recognised in the financial year they are declared.

Note 23. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	125,684	87,916
Cash and cash equivalents	1,225,131	1,200,861
Financial assets	13,188	14,445
	1,364,003	1,303,222
Financial liabilities		
Trade and other payables	134,180	270,608

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 equity securities.

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, except for the equity securities which remain at fair value through profit or loss (FVTPL).

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.

Note 23. Financial instruments (continued)

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). Changes in equity securities value is recognised through profit or loss or other comprehensive income.

2022	**% change increase**	**Effect on profit before tax**	**Effect on equity**	**% change decrease**	**Effect on profit before tax**	**Effect on equity**
Equity securities	10%	1,319	989	(10%)	(1,319)	(989)

2021	**% change increase**	**Effect on profit before tax**	**Effect on equity**	**% change decrease**	**Effect on profit before tax**	**Effect on equity**
Equity securities	10%	1,445	1,069	(10%)	(1,445)	(1,069)

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 $1,225,131 at 30 June 2022 (2021: $1,200,861). 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 23. 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	90,385	43,795	-	134,180
Total non-derivatives	90,385	43,795	-	134,180

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	270,608	-	-	270,608
Total non-derivatives	270,608	-	-	270,608

Note 24. Fair value measurement

Fair value hierarchy
The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

2022	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Equity securities	13,188	-	-	13,188
Land and buildings	-	1,120,000	-	1,120,000
Total assets	13,188	1,120,000	-	1,133,188

2021	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Equity securities	14,445	-	-	14,445
Land and buildings	-	1,120,000	-	1,120,000
Total assets	14,445	1,120,000	-	1,134,445

There were no transfers between levels during the financial year.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 24. Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 25. Key management personnel disclosures

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

Rodney Bruce Dunlop
Kim David Rees
Roberto James Celada
Matthew Marc Williamson
Vanessa Louise Marsh
(Patrick) Sean Walsh
Sonia Gaye Lombardo
(Liberty) Joshua Chikuse
Brett Allan McKellar

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 26. Related party transactions

The following transactions occurred with related parties:

	2022 $	2021 $
The company used the legal services of one of its directors in relation to the lease agreements, employment contracts and renewal of the franchise agreement.	3,549	2,528

Terms and conditions
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 Andrew Frewin Stewart, the auditor of the company:

	2022 $	2021 $
Audit services		
Audit or review of the financial statements	5,200	2,000
Other services		
Taxation advice and tax compliance services	725	-
General advisory services	3,730	1,860
	4,455	1,860
	9,655	3,860
Audit services - Julius Sommers		
Audit or review of the financial statements	-	3,600

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

	2022 $	2021 $
Profit after income tax expense for the year	226,097	208,035
Adjustments for:		
Depreciation and amortisation	61,691	45,468
(Increase)/decrease in fair value of equity instruments designated at FVTPL	1,997	(4,683)
Dividends reinvested in financial assets	(740)	(375)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(50,468)	18,782
Decrease/(increase) in income tax refund due	(3,894)	25,652
Increase/(decrease) in trade and other payables	(47,381)	89,001
Decrease in provision for income tax	(13,396)	-
Increase/(decrease) in deferred tax liabilities	19,754	(8,143)
Decrease in employee benefits	(6,088)	(1,013)
Net cash provided by operating activities	187,572	372,724

Note 29. Earnings per share

	2022 $	2021 $
Profit after income tax	226,097	208,035
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	615,750	615,750
Weighted average number of ordinary shares used in calculating diluted earnings per share	615,750	615,750
	Cents	**Cents**
Basic earnings per share	36.72	33.79
Diluted earnings per share	36.72	33.79

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

Note 30. Commitments

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

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 31. Contingencies

	2022 $	2021 $
Contingent liabilities at reporting date		
Contingent liabilities not otherwise provided for or disclosed in the financial statements:	-	5,006

Contingent liabilities related predominantly to actual or potential claims on the company for which amounts are reasonably estimated but the liability is not probable and therefore the company has not provided for such amount in these financial statements.

Assessing the amount or liabilities that are not probable is highly judgemental. Contingent liabilities are disclosed on the basis of the known maximum exposure. At the end of the previous financial year an investigation is underway into a customer complaint raised with the Australian Financial Complaints Authority (AFCA). In the previous financial year there was an agreement pending approval by all parties which has the amount of compensation owed to the customer at $5,006.

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.

Drouin & District Community Financial Services Limited
Directors' declaration
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

Rodney Bruce Dunlop
Chairman

27 September 2022

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor's report to the Directors of Drouin & District Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Drouin & District Community Financial Services Limited's (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 Drouin & District Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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.

Andrew Frewin Stewart
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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: 27 September 2022

Joshua Griffin
Lead Auditor

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Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_25999937 28/09/2022