

Annual Report

2022

2022 Annual Report

Epping and Districts Financial
Services Limited

Community Bank
Epping

ABN 57 104 573 499

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Chairman's report

For the year ending 30 June 2022

The Community Bank, Epping, is currently the only bank in the Epping district, or in the nearby suburbs of Beecroft, Cheltenham and Marsfield. The central focus of our branch is to support our local community, and we do this by using the profits from our high-quality and comprehensive banking services to provide funding for local not-for-profit organisations, welfare agencies, community groups, schools, charities, and sporting clubs. So it was a wonderful accolade for our Community Bank to receive the Northern Districts Local Business Award for Outstanding Professional Services earlier this year. This is a fitting tribute to the work of our staff for their dedication and their high standards of professionalism in providing excellent personal service to our customers and to our local community. Congratulations to our Branch Manager, Stephen Hu, and the staff - Junie Kanlapan, Karen Lee, Anette Uhrig and Julie Galic – who demonstrate commitment and hard work well beyond any standard job description. Anette's recent retirement after 10 years service is a loss to our branch, and we wish her well in the next phase of her career.

The financial position of our Community Bank continues to be healthy, with a significant increase in loans and overall business growth. This is despite the ongoing complexities of the Covid pandemic, difficult economic conditions, and ongoing changes in the banking industry overall. Our thanks to our Board of volunteer Directors who have continued a disciplined approach to financial management, which has facilitated the branch's successful operation, the achievement of a sustainable annual profit, and a further dividend to our shareholders before the end of the year.

For over 10 years the Board has been supported by Administrative Assistant, Diana Gallagher. We thank her for her hard work and dedication as she begins her well-earned retirement.

We were saddened by the resignation of one of our Founding Board members, Wendy Yee-Dempster who was instrumental in the establishment of our local Community Bank in 2002-03. She has provided continuity and commitment to our branch through all the challenges and changes over the last 20 years. Our local community, and Bendigo and Adelaide Bank, has much to thank Wendy for. We also said farewell to Director Alan Marsh. Thank you to Alan for his invaluable work, and the outstanding financial expertise and professional experience he brought to the Board.

We appreciate the efforts of our selfless group of long-serving community volunteers who have endeavoured to continue their work despite the ongoing difficulties. The work of our Sub-Committees has revived, but we had to say goodbye and thank you to long-standing volunteer Margaret Wright, who has moved to Queensland. Unfortunately, the DARTS Community Bus Service has been terminated, its operation drastically affected by Covid and its consequences.

I thank you, as our shareholders, for your financial and community investment in our bank, and for your ongoing perseverance and commitment to strengthening our local community through the work of our company. This is what makes us most emphatically different from the Big Four Banks, and without your support we would not be a community-based bank.

We have every right to be proud of our record in supporting our local community. Our funding to community groups and organisations has now passed the \$1.4 million mark. Recent major projects include \$45,000 for kitchen renovations at the North Epping Bowling and Community Club, \$60,000 to the North Epping Men's Shed, \$25,000 to Epping Boys High School for student welfare programs, and \$40,000 to initiatives in support of domestic violence victims and youth mental health programs.

I look forward to the continued success of our community enterprise in the future.



Robert Phillips
Chairman

Manager's report

For year ending 30 June 2022

Once again, I have the privilege as Manager of Community Bank Branch Epping of Bendigo and Adelaide Bank to report on the great success we have achieved over the past financial year.

Bendigo and Adelaide Bank is one of the Australia's most trusted brands, and as a Community Bank branch we continue to focus on adding value to our local community, while exploring new opportunities in the banking industry to grow our business.

Now that the Covid pandemic is slowly easing, it is pleasing that our branch has been able to remain open during the entire covid era. All health regulations were adopted, and precautions were implemented as required in the changing circumstances. We were able to adapt smoothly to the "new normal" and effectively cope with the pandemic.

It was another challenging year in a highly competitive financial market. The Reserve Bank started to lift its cash rate after a lengthy static period. More and more customers are leaning towards digital banking. However, we still managed to grow our loan book by 4.8%, and total business growth was 2.7% over the past financial year.

These outcomes could not have been achieved without the consistent hard work and commitment of our Community Bank Branch Epping team. I thank our customer service staff of Junie, Karen, Anette, and Julie for their dedication and resilience through all the changes. Special thanks to Anette, as she has been with the branch for 10 years, and has now recently retired. We wish her all the best with her new journey.

My thanks to our community-minded Board of volunteer Directors, the members of the Community Funding and Business Development Committee, and the Governance Committee, for devoting many volunteer hours to work tirelessly to support me and the staff, and to ensure the ongoing success of our business. And special thanks to our customers and shareholders for their loyalty and perseverance throughout these difficulties times.

I also thank our Regional Manager Tom Woods and our State Office Team for providing consistent support to our branch. As a full-service bank, we can deliver all the products and services necessary for our customers' banking needs.

As a Community Bank branch, we are truly part of our local community and supporting our local businesses. Our company is in a unique position to provide quality banking services to our customers while producing great benefits and support for our local community.

We are confident that our continuing strong business growth positions us well for a very positive long-term outlook. It is never too late to join the bank to experience personalised customer service and support the community at the same time. As a customer of Community Bank Branch Epping, you are part of something bigger than a bank.

We look forward to serving you throughout another successful year and encourage all shareholders who don't currently bank with us to visit our Epping branch and see how we can assist with your banking needs.

Stephen Hu
Manager
Community Bank Branch Epping of Bendigo and Adelaide Bank

Our community engagement and investment

For year ended 30 June 2022

- Alexanders Netball Club
- All Saints Anglican Church
- Christian Community Aid Youth Mental Health Program
- Combined Churches Christmas Carols, Boronia Park
- Epping Arts Fair
- Epping Boys High School
- Epping Districts Athletics Club
- Epping-Eastwood Lions Club
- Epping Public School
- Macquarie Singers
- Max Potential Youth Leadership Program
- Neighbourhood Watch
- North Epping Community Bus
- North Epping Bowling and Community Club
- North Epping Men's Shed
- North Epping Rangers Sports Club
- Ray Park Heritage Group
- Rotary Club of Epping
- St Gerard's Netball Club
- The Northern Centre Domestic Violence/Mental Health Program

The Epping Community Bank model operates on the principle of "SHARED VALUE".

Shared Value is not just 'shared values', however noble those values might be. Nor is it just a sense of 'social conscience' or 'social responsibility'. Nor is it just 'corporate philanthropy'.

It is all of these, and much more.

It embodies the link between business success and corporate social responsibility – the success of a company and the social health of the community around it are mutually dependent.

Our community bank is a franchisee of Bendigo and Adelaide Bank. It uses the bank's infrastructure and expertise to provide local community members with quality financial and banking services through a successful community business venture. The crucial point of difference from other banks is that, under the terms of the franchise agreement, our community bank reinvests up to 80% of its net profits back into the community to support local initiatives and stimulate community well-being. We are a GENUINE community bank.

Our community engagement and investment

Shareholders expect a financial return, but they are also committing to a community investment for the benefit of their community as a whole.

The community is at the centre of the business, not at the margins. Our high quality banking services are the means to the end – to generate profits, and thus provide funds to support our community.

Since our foundation in 2003, our company has returned over \$1.4 million to OUR community in a wide variety of projects. We must stress that these funds come from the profits of OUR Epping branch, OUR local company, not from ‘the Bendigo and Adelaide Bank’.

The members of our community who bank with us receive high quality banking services - and are the source of our profits. The more people who bank with our branch, the higher our profits. The higher our profits, the more funds we can pass back into local community projects. It is a WIN-WIN situation.

Epping and Districts Financial Services Limited

ABN 57 104 573 499

Financial Report - 30 June 2022

Epping and Districts Financial Services Limited

Directors' 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: Robert Michael Phillips
Title: Non-executive director
Experience and expertise: High school teacher/ Head teacher/ Deputy Principal/ Principal for 37 years; Life Member of NSW Secondary Principals Council; Member of Australian Institute for Teaching and School Leadership; Trained Mediator, Department of Education and Communities; Director and honorary secretary of North Epping Bowling and Community Club; Member of UN Women Australia; Member of Rostrum Clubs of NSW; Member of Epping Civic Trust.
Special responsibilities: Chairman and Member of Finance, Governance and Community Funding & Business Development Committees

Name: Craig Eric Gallagher
Title: Non-executive director
Experience and expertise: 38 years Epping/Eastwood suburban Practitioner; 1995 appointed trustee State Sports Centre Trust until its closure; 1998 to March 2012 trustee and Chairman of Parramatta Stadium Trust; from March 2012 to 2017 Chairman of Sydney Local Venue Council and director of Venues NSW Authority; September 2012 appointed trustee Sydney University Centre for Disabilities Studies and member and director of Epping Rotary Club for 21 years.
Special responsibilities: Deputy Chairman, Member of Governance and Community Funding & Business Development Committees

Name: Ian David Bittner
Title: Non-executive director
Experience and expertise: Pathology Administrator - Graduate Diploma in Management, 1997 Adelaide University School of Management; previously worked as Chief General Manager of Operations in Malaysia and Singapore; past President and current Board member of Epping Rotary Inc.; past Treasurer of Lifeway Lutheran Church, Epping; extensive experience in financial management and currently working in the area of risk management.
Special responsibilities: Company Secretary and Chairman of Governance Committee

Name: Ronald Lester Cardwell
Title: Non-executive director
Experience and expertise: Practicing accountant for over 33 years, specialising in insolvency and forensic accounting. Current director of Australian Religious Film Society Ltd.
Special responsibilities: Treasurer and Member of Finance Committee

Name: Robyn Dawn Clark
Title: Non-executive director
Experience and expertise: Masters of Educational Leadership, Director Loreto Normanhurst Board 2013-2019, Chair of Principal Selection Committee. Senior HR professional for over 25 years, career in financial services, printing and technology industries.
Special responsibilities: Nil

Name: Janet Pauline McGarry
Title: Non-executive director (*appointed 22 June 2022*)
Experience and expertise: Insert text

Epping and Districts Financial Services Limited
Directors' report
30 June 2022

Name: Alan Bede Marsh
Title: Non-executive director (*resigned 27 January 2022*)
Experience and expertise: Holds an MBA, Bachelor Business (Distinction), Public Administration Certificate, and is a Certified Practising Accountant of the Australian Society of CPAs. Former director of Sydney Olympic Park Business Association and former member of Sydney Olympic Park Authority Board (ex officio). Has worked in a variety of executive-level positions for companies including Sydney Olympic Park Authority, NSW Department of Commerce, NSW Premier's Department, Olympic Coordination Authority and Darling Harbour Authority.
Special responsibilities: Chairman of Finance Committee

Name: Wendy Faye Yee-Dempster
Title: Non-executive director (*resigned 9 February 2022*)
Experience and expertise: Managed and operated own hair salon for 30 years; Vice President of the Nissan Patrol 4WD Club of NSW & ACT Inc. Graduate Certificate in Management (Professional Practice) Charles Sturt University, Graduate of the Australian Institute of Company Directors. Master of Business Administration, Charles Sturt University, former member of Bendigo Community Bank National Council.
Special responsibilities: Member of Community Funding & Business Development and Governance Committees

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

Company secretary

The Company secretary is Ian David Bittner. Ian was appointed to the position of Company secretary on 21 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 \$33,393 (30 June 2021: \$143,144).

Operations have continued to perform in line with expectations.

Dividends

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

	2022
	\$
Fully franked dividend of 4 cents per share (2021: 4 cents)	<u><u>20,440</u></u>

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.

Epping and Districts Financial Services Limited
Directors' report
30 June 2022

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		Governance and HR Committee		Community Funding Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Robert Michael Phillips	11	10	4	3	9	9
Craig Eric Gallagher	11	10	4	4	9	9
Ian David Bittner	11	11	4	4	-	-
Ronald Lester Cardwell	11	10	-	-	-	-
Robyn Dawn Clark	11	9	4	4	-	-
Janet Pauline McGarry	-	-	-	-	-	-
Alan Bede Marsh	6	6	-	-	-	-
Wendy Faye Yee-Dempster	5	4	-	-	4	4

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.

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
Robert Michael Phillips	1,000	-	1,000
Craig Eric Gallagher	-	-	-
Ian David Bittner	-	-	-
Ronald Lester Cardwell	-	-	-
Robyn Dawn Clark	-	-	-
Janet Pauline McGarry	-	-	-
Alan Bede Marsh	-	-	-
Wendy Faye Yee-Dempster	10,501	-	10,501

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*.

Epping and Districts Financial Services Limited
Directors' report
30 June 2022

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 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
- 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



Robert Michael Phillips
Chair

20 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 Epping and Districts Financial Services Limited

As lead auditor for the audit of Epping and Districts 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

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

A handwritten signature in black ink, appearing to read 'Adrian Downing', is positioned above the printed name.

Adrian Downing
Lead Auditor

Epping and Districts 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	896,868	881,968
Other revenue	7	-	32,080
Finance revenue		6,702	480
Employee benefits expense	8	(397,589)	(416,951)
Advertising and marketing costs		(30,684)	(41,720)
Occupancy and associated costs		(11,081)	(40,524)
System costs		(41,385)	(55,454)
Depreciation and amortisation expense	8	(70,666)	(67,998)
Finance costs	8	(10,531)	(7,574)
General administration expenses		(98,425)	(78,042)
Profit before community contributions and income tax expense		243,209	206,265
Charitable donations and sponsorships expense		(198,547)	(21,780)
Profit before income tax expense		44,662	184,485
Income tax expense	9	(11,269)	(41,341)
Profit after income tax expense for the year	20	33,393	143,144
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		33,393	143,144
		Cents	Cents
Basic earnings per share	28	6.53	28.01
Diluted earnings per share	28	6.53	28.01

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

Epping and Districts Financial Services Limited
Statement of financial position
As at 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	10	793,097	770,912
Trade and other receivables	11	99,697	92,159
Current tax assets	9	-	15,288
Total current assets		<u>892,794</u>	<u>878,359</u>
Non-current assets			
Property, plant and equipment	12	91,441	76,355
Right-of-use assets	13	310,248	352,080
Intangibles	14	18,677	31,860
Deferred tax assets	9	19,261	19,564
Total non-current assets		<u>439,627</u>	<u>479,859</u>
Total assets		<u>1,332,421</u>	<u>1,358,218</u>
Liabilities			
Current liabilities			
Trade and other payables	15	47,200	45,676
Lease liabilities	16	34,539	32,270
Current tax liabilities	9	920	-
Employee benefits	17	70,723	50,502
Total current liabilities		<u>153,382</u>	<u>128,448</u>
Non-current liabilities			
Trade and other payables	15	-	15,228
Lease liabilities	16	283,017	317,555
Employee benefits	17	13,902	28,293
Provisions	18	16,014	15,541
Total non-current liabilities		<u>312,933</u>	<u>376,617</u>
Total liabilities		<u>466,315</u>	<u>505,065</u>
Net assets		<u>866,106</u>	<u>853,153</u>
Equity			
Issued capital	19	479,929	479,929
Retained earnings	20	386,177	373,224
Total equity		<u>866,106</u>	<u>853,153</u>

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

Epping and Districts Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2022

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2020		479,929	230,080	710,009
Profit after income tax expense		-	143,144	143,144
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	143,144	143,144
Balance at 30 June 2021		<u>479,929</u>	<u>373,224</u>	<u>853,153</u>
Balance at 1 July 2021		479,929	373,224	853,153
Profit after income tax expense		-	33,393	33,393
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	33,393	33,393
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	22	-	(20,440)	(20,440)
Balance at 30 June 2022		<u>479,929</u>	<u>386,177</u>	<u>866,106</u>

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

Epping and Districts 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)		979,330	1,002,760
Payments to suppliers and employees (inclusive of GST)		<u>(861,741)</u>	<u>(704,038)</u>
		117,589	298,722
Interest received		6,702	3,653
Income taxes refunded/(paid)		<u>5,242</u>	<u>(29,358)</u>
Net cash provided by operating activities	27	<u>129,533</u>	<u>273,017</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(30,737)	(73,065)
Payments for intangibles		<u>(13,844)</u>	<u>(13,844)</u>
Net cash used in investing activities		<u>(44,581)</u>	<u>(86,909)</u>
Cash flows from financing activities			
Dividends paid	22	(20,440)	(20,440)
Repayment of lease liabilities	16	<u>(42,327)</u>	<u>(66,511)</u>
Net cash used in financing activities		<u>(62,767)</u>	<u>(86,951)</u>
Net increase in cash and cash equivalents		22,185	99,157
Cash and cash equivalents at the beginning of the financial year		<u>770,912</u>	<u>671,755</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>793,097</u></u>	<u><u>770,912</u></u>

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

Epping and Districts Financial Services Limited

Notes to the financial statements

30 June 2022

Note 1. Reporting entity

The financial statements cover Epping and Districts 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:

Registered office	Principal place of business
Unit 1, 2 Pembroke Street, Epping NSW 2121	Shop 3, 2-6 Oxford Street, Epping NSW 2121

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 20 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.

Epping and Districts Financial Services Limited

Notes to the financial statements

30 June 2022

Note 3. Significant accounting policies (continued)

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

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

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

Estimation of useful lives of assets

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

Epping and Districts Financial Services Limited
Notes to the financial statements
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Note 4. Critical accounting judgements, estimates and assumptions (continued)

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

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

Recovery of deferred tax assets

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

Lease term

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

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 5. Economic dependency (continued)

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

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

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

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

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

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

Note 6. Revenue from contracts with customers

	2022	2021
	\$	\$
Margin income	802,372	781,575
Fee income	42,556	49,898
Commission income	51,940	50,495
Revenue from contracts with customers	<u>896,868</u>	<u>881,968</u>

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:

Epping and Districts Financial Services Limited
Notes to the financial statements
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Note 6. Revenue from contracts with customers (continued)

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

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

Revenue calculation

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 7. Other revenue

	2022	2021
	\$	\$
Net gain on disposal of make-good provision	-	3,113
Cash flow boost	-	28,967
	<hr/>	<hr/>
Other revenue	-	32,080
	<hr/> <hr/>	<hr/> <hr/>

Accounting policy for other revenue recognition

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

Revenue stream

Cash flow boost

Revenue recognition policy

Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

Net gain on disposal of make-good provision

This income related to the difference between the make-good provision and actual costs incurred.

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. Expenses

Depreciation and amortisation expense

	2022	2021
	\$	\$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	12,038	28,046
Plant and equipment	3,613	2,625
	<hr/>	<hr/>
	15,651	30,671
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	41,832	24,143
<i>Amortisation of intangible assets</i>		
Franchise fee	2,197	2,197
Franchise renewal fee	10,986	10,987
	<hr/>	<hr/>
	13,183	13,184
	<hr/> <hr/>	<hr/> <hr/>
	70,666	67,998

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 8. Expenses (continued)

Finance costs

	2022	2021
	\$	\$
Lease interest expense	10,058	6,819
Unwinding of make-good provision	473	755
	<u>10,531</u>	<u>7,574</u>

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

Employee benefits expense

	2022	2021
	\$	\$
Wages and salaries	351,302	362,452
Superannuation contributions	31,225	38,149
Expenses related to long service leave	2,130	7,040
Other expenses	12,932	9,310
	<u>397,589</u>	<u>416,951</u>

Leases recognition exemption

	2022	2021
	\$	\$
Expenses relating to low-value leases	18,225	30,093
Expenses relating to short-term leases	-	21,076
	<u>18,225</u>	<u>51,169</u>

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.

Upon expiration of the Oxford Street lease agreement, the company continued to make lease payments on existing terms on a month-by-month basis. This agreement continued until April 2021. As such the lease was 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.

Epping and Districts Financial Services Limited
Notes to the financial statements
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Note 9. Income tax

	2022	2021
	\$	\$
<i>Income tax expense</i>		
Current tax	10,966	11,056
Movement in deferred tax	303	29,502
Reduction in company tax rate	-	783
	<u>11,269</u>	<u>41,341</u>
<i>Aggregate income tax expense</i>		
	<u>11,269</u>	<u>41,341</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	44,662	184,485
Tax at the statutory tax rate of 25% (2021: 26%)	11,166	47,966
Tax effect of:		
Non-deductible expenses	103	123
Non-assessable income	-	(7,531)
Reduction in company tax rate	-	783
	<u>11,269</u>	<u>41,341</u>
Income tax expense	<u>11,269</u>	<u>41,341</u>
	2022	2021
	\$	\$
<i>Deferred tax assets/(liabilities)</i>		
Property, plant and equipment	(8,878)	(4,746)
Employee benefits	21,156	19,699
Provision for lease make good	4,004	3,885
Accrued expenses	1,462	1,600
Income accruals	(310)	(310)
Lease liabilities	79,389	87,456
Right-of-use assets	(77,562)	(88,020)
	<u>19,261</u>	<u>19,564</u>
Deferred tax asset	<u>19,261</u>	<u>19,564</u>
	2022	2021
	\$	\$
Income tax refund due	-	15,288
	<u>920</u>	<u>-</u>
Provision for income tax	<u>920</u>	<u>-</u>

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.

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 9. Income tax (continued)

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 10. Cash and cash equivalents

	2022	2021
	\$	\$
Cash on hand	100	100
Cash at bank and on hand	209,474	189,122
Term deposits	583,523	581,690
	<u>793,097</u>	<u>770,912</u>

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

	2022	2021
	\$	\$
Trade receivables	81,802	70,067
Other receivables and accruals	11,118	13,483
Accrued income	1,238	1,238
Prepayments	5,539	7,371
	<u>17,895</u>	<u>22,092</u>
	<u>99,697</u>	<u>92,159</u>

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.

Epping and Districts Financial Services Limited
Notes to the financial statements
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Note 12. Property, plant and equipment

	2022	2021
	\$	\$
Leasehold improvements - at cost	80,259	67,402
Less: Accumulated depreciation	<u>(15,005)</u>	<u>(2,967)</u>
	<u>65,254</u>	<u>64,435</u>
Plant and equipment - at cost	61,071	43,191
Less: Accumulated depreciation	<u>(34,884)</u>	<u>(31,271)</u>
	<u>26,187</u>	<u>11,920</u>
	<u><u>91,441</u></u>	<u><u>76,355</u></u>

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

	Leasehold improvements \$	Plant and equipment \$	Total \$
Balance at 1 July 2020	27,152	8,881	36,033
Additions	67,401	5,664	73,065
Disposals	(2,072)	-	(2,072)
Depreciation	<u>(28,046)</u>	<u>(2,625)</u>	<u>(30,671)</u>
Balance at 30 June 2021	64,435	11,920	76,355
Additions	12,857	17,880	30,737
Depreciation	<u>(12,038)</u>	<u>(3,613)</u>	<u>(15,651)</u>
Balance at 30 June 2022	<u><u>65,254</u></u>	<u><u>26,187</u></u>	<u><u>91,441</u></u>

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	5 to 6 years
Plant and equipment	1 to 25 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.

Epping and Districts Financial Services Limited
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Note 13. Right-of-use assets

	2022	2021
	\$	\$
Land and buildings - right-of-use	376,223	376,223
Less: Accumulated depreciation	<u>(65,975)</u>	<u>(24,143)</u>
	<u><u>310,248</u></u>	<u><u>352,080</u></u>

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

	Land and buildings	Total
	\$	\$
Balance at 1 July 2020	-	-
Additions	348,611	348,611
Remeasurement adjustments	27,612	27,612
Depreciation expense	<u>(24,143)</u>	<u>(24,143)</u>
Balance at 30 June 2021	352,080	352,080
Depreciation expense	<u>(41,832)</u>	<u>(41,832)</u>
Balance at 30 June 2022	<u><u>310,248</u></u>	<u><u>310,248</u></u>

During the prior year, the company relocated to a new premises at Unit 1, 2 Pembroke Street Epping. This resulted in a new right-of-use asset being recognised.

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. Intangibles

	2022	2021
	\$	\$
Franchise fee	83,917	83,917
Less: Accumulated amortisation	<u>(80,804)</u>	<u>(78,607)</u>
	<u>3,113</u>	<u>5,310</u>
Franchise renewal fee	169,577	169,577
Less: Accumulated amortisation	<u>(154,013)</u>	<u>(143,027)</u>
	<u>15,564</u>	<u>26,550</u>
	<u><u>18,677</u></u>	<u><u>31,860</u></u>

Epping and Districts Financial Services Limited
Notes to the financial statements
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Note 14. Intangibles (continued)

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	7,507	37,537	45,044
Amortisation expense	<u>(2,197)</u>	<u>(10,987)</u>	<u>(13,184)</u>
Balance at 30 June 2021	5,310	26,550	31,860
Amortisation expense	<u>(2,197)</u>	<u>(10,986)</u>	<u>(13,183)</u>
Balance at 30 June 2022	<u><u>3,113</u></u>	<u><u>15,564</u></u>	<u><u>18,677</u></u>

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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise fee	Straight-line	Over the franchise term (5 years)	November 2023
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	November 2023

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 15. Trade and other payables

	2022 \$	2021 \$
<i>Current liabilities</i>		
Other payables and accruals	<u>47,200</u>	<u>45,676</u>
<i>Non-current liabilities</i>		
Other payables and accruals	<u>-</u>	<u>15,228</u>

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.

Epping and Districts Financial Services Limited
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Note 16. Lease liabilities

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Land and buildings lease liabilities	43,598	42,328
Unexpired interest	(9,059)	(10,058)
	<u>34,539</u>	<u>32,270</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	312,426	356,023
Unexpired interest	(29,409)	(38,468)
	<u>283,017</u>	<u>317,555</u>
<i>Reconciliation of lease liabilities</i>		
	2022	2021
	\$	\$
Opening balance	349,825	48,604
Additional lease liabilities recognised	-	348,611
Remeasurement adjustments	-	12,302
Lease interest expense	10,058	6,819
Lease payments - total cash outflow	(42,327)	(66,511)
	<u>317,556</u>	<u>349,825</u>
<i>Maturity analysis</i>		
	2022	2021
	\$	\$
Not later than 12 months	43,598	42,328
Between 12 months and 5 years	187,869	182,396
Greater than 5 years	124,557	173,627
	<u>356,024</u>	<u>398,351</u>

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 not 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.

Epping and Districts Financial Services Limited
Notes to the financial statements
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Note 16. Lease liabilities (continued)

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

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

The company's lease portfolio includes:

Epping branch The lease agreement commenced in December 2020 for a 3 year term. The company has 2 x 3 year renewal options available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is November 2029. The discount rate used in calculations is 3.00%.

Note 17. Employee benefits

	2022 \$	2021 \$
<i>Current liabilities</i>		
Annual leave	53,641	49,941
Long service leave	17,082	561
	<u>70,723</u>	<u>50,502</u>
<i>Non-current liabilities</i>		
Long service leave	<u>13,902</u>	<u>28,293</u>

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.

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 17. Employee benefits (continued)

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

Note 18. Provisions

	2022 \$	2021 \$
Lease make good	16,014	15,541
<i>Reconciliation of lease make good provision</i>		
	2022 \$	2021 \$
Balance at the beginning	15,541	29,389
Face-value of make good costs recognised	-	20,000
Present value discounting	-	(4,690)
Present value unwinding	473	755
Provision remeasurements	-	(3,113)
Settlement of provision	-	(26,800)
	<u>16,014</u>	<u>15,541</u>

Lease make good

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$20,000 for the Epping Branch lease, based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 30 November 2029 at which time it is expected the face-value costs to restore the premises will fall due.

Upon vacating the Oxford Street premises, the company was required to pay \$26,800 in order to restore the premises to it's original condition.

Accounting policy for provisions

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

Note 19. Issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	511,008	511,008	511,008	511,008
Less: Equity raising costs	-	-	(31,079)	(31,079)
	<u>511,008</u>	<u>511,008</u>	<u>479,929</u>	<u>479,929</u>

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

Epping and Districts Financial Services Limited

Notes to the financial statements

30 June 2022

Note 19. Issued capital (continued)

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 20. Retained earnings

	2022	2021
	\$	\$
Retained earnings at the beginning of the financial year	373,224	230,080
Profit after income tax expense for the year	33,393	143,144
Dividends paid (note 22)	(20,440)	-
	<u>386,177</u>	<u>373,224</u>

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 provided for during the period

The following dividends were provided for during the financial year as presented in the Statement of changes in equity.

	2022	2021
	\$	\$
Fully franked dividend of 4 cents per share (2021: 4 cents)	<u>20,440</u>	<u>-</u>

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 4 cents per share (2021: 4 cents)	<u>20,440</u>	<u>20,440</u>

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 22. Dividends (continued)

Franking credits

	2022	2021
	\$	\$
Franking account balance at the beginning of the financial year	241,967	222,424
Franking credits (debits) arising from income taxes paid (refunded)	(5,243)	26,725
Franking debits from the payment of franked distributions	(6,813)	(7,182)
	<u>229,911</u>	<u>241,967</u>
<i>Franking transactions that will arise subsequent to the financial year end:</i>		
Balance at the end of the financial year	229,911	241,967
Franking credits (debits) that will arise from payment (refund) of income tax	920	(15,287)
Franking credits available for future reporting periods	<u>230,831</u>	<u>226,680</u>

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	94,158	84,788
Cash and cash equivalents	793,097	770,912
	<u>887,255</u>	<u>855,700</u>
Financial liabilities		
Trade and other payables	47,200	60,904
Lease liabilities	317,556	349,825
	<u>364,756</u>	<u>410,729</u>

Accounting policy for financial instruments

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

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

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

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

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

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.

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 \$793,097 at 30 June 2022 (2021: \$770,912). 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.

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	47,200	-	-	47,200
Lease liabilities	43,598	187,869	124,557	356,024
Total non-derivatives	90,798	187,869	124,557	403,224

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 23. Financial instruments (continued)

2021	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives				
Trade and other payables	45,676	15,228	-	60,904
Lease liabilities	42,328	182,396	173,627	398,351
Total non-derivatives	<u>88,004</u>	<u>197,624</u>	<u>173,627</u>	<u>459,255</u>

Note 24. Key management personnel disclosures

The following persons were directors of Epping and Districts Financial Services Limited during the financial year:

Robert Michael Phillips	Robyn Dawn Clark
Craig Eric Gallagher	Janet Pauline McGarry
Ian David Bittner	Alan Bede Marsh
Ronald Lester Cardwell	Wendy Faye Yee-Dempster

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 25. Related party transactions

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Note 26. 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 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,200	5,000
<i>Other services</i>		
Taxation advice and tax compliance services	600	600
General advisory services	8,330	4,980
Share registry services	2,785	-
	<u>11,715</u>	<u>5,580</u>
	<u>16,915</u>	<u>10,580</u>

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

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

	2022	2021
	\$	\$
Profit after income tax expense for the year	33,393	143,144
Adjustments for:		
Depreciation and amortisation	70,666	67,998
Net loss on disposal of non-current assets	-	2,072
Profit on disposal of make-good provision	-	(3,113)
Lease liabilities interest	10,058	6,819
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(7,538)	32,244
Decrease in income tax refund due	15,288	-
Decrease in deferred tax assets	303	14,616
Increase in trade and other payables	140	15,665
Increase in provision for income tax	920	-
Increase in employee benefits	5,830	19,617
Increase/(decrease) in other provisions	473	(26,045)
Net cash provided by operating activities	<u>129,533</u>	<u>273,017</u>

Note 28. Earnings per share

	2022	2021
	\$	\$
Profit after income tax	<u>33,393</u>	<u>143,144</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>511,008</u>	<u>511,008</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>511,008</u>	<u>511,008</u>
	Cents	Cents
Basic earnings per share	6.53	28.01
Diluted earnings per share	6.53	28.01

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Epping and Districts 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 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 to affect the financial statements.

Epping and Districts Financial Services Limited
Notes to the financial statements
30 June 2022

Note 31. 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.

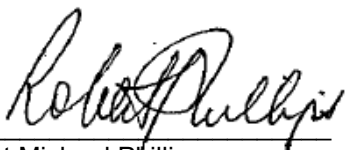
Epping and Districts Financial Services Limited
Directors' declaration
30 June 2022

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



Robert Michael Phillips
Chair

20 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 Epping and Districts Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Epping and Districts 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 Epping and Districts 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

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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
61 Bull Street Bendigo VIC 3550

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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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

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

A handwritten signature in black ink, appearing to read 'Adrian Downing', is positioned above the printed name.

Adrian Downing
Lead Auditor

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 **Bendigo Bank**