Annual Report 2022

Heathcote & District Financial Services Limited

Community Bank
Heathcote & District and Nagambie

ABN 44 112 376 986

Contents

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ABN 44 112 376 986

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Share Registry:
AFS & Associates Bendigo

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Chair's Report

"Foundations" is the single word that echoes through year for our Community Bank – Heathcote & Nagambie Districts.

In 2022 the Board and Branch team have built solid and consistent foundations that allowed us to continue to meet our shared goals of being a financial partner with our communities and provide exceptional, local banking services to our customers and businesses.

Our purpose and charter is to create and support sustainable communities and continue to grow a strong and stable Community Bank that can invest in worthy projects, employ local people and partner with our communities.

For all of us it was a difficult and challenging year. We thought the pandemic would cease however it persisted and forced us all to be patient and resilient.

For the Branches, our team maintained a focus on ensuring we remained open and able to provide the essential day to day banking services our customers needed. Our tremendous team worked hard and smart to maintain a high standard of customer support. The board of directors are very grateful for their ongoing professionalism and dedication. We also thank you, our valued customers and shareholders for your patience and respect during these challenging times.

The focus for the Board of Directors was twofold. Firstly, we maintained close control and management of company expenses as we anticipated a difficult and unpredictable trading year. This eventuated but we still generated a respectable taxable profit of $25,954 for the 2022 financial year even with reductions in revenue due to low cash rates and margin income. This allows us to declare a 5 ½ cent fully franked dividend to shareholders for the Company's 2022 financial year performance.

We also continued to meet our company charter and mission by investing $87,360 into our communities by way of Sponsorships and Community Grants across Heathcote and Nagambie and surrounding districts.

Our second focus was upon the future of retail banking. Retail Banking is changing to meet the needs and desires of its customers and we will change as a Community Bank as well, meeting our customers' needs by being flexible and service centric.

Teri Johnson stepped into the Branch Manager's role during the year and her leadership is growing our ability to provide more mobile banking services; meeting our customers where and when its convenient to them. We expect to continue to invest into this capability as profits allow, however we will always remain committed to being the bank that is 'open for business' in our local communities.

As a Board, we continually strive for diversity that reflects our communities. This year we welcomed two new directors, Natalie Sheridan-Smith and Vicki Carolan to the board. Both directors bring with them fresh perspectives and ideas to our deliberations as well as diverse business experience that strengthens our discussions and governance.

Director Tim Goodacre will resign as a director in October 2022 due to moving away from the Nagambie area. Tim brought with him important insights into the needs of the Nagambie community and the broader corporate perspective and I thank Tim for his time on behalf of the board, branch team and shareholders.

Jaclyn Troy also resigned as she moved her family and career focus to Bendigo. Jaclyn had exceptional insights into the Heathcote community and was able to strengthen our discussions with this background. I also thank Jaclyn for her commitment and diligence.

We look forward to 2023 having improved trading condition with increases to revenue from interest rate increases and the dissipation of COVID restrictions as the pandemic settles.

We will continue to manage our Community Bank carefully with due diligence for the ongoing benefits for the Heathcote and Nagambie communities throughout 2023 financial year and beyond.

Stephen Trompp
Chair

Manager's report

The 2022 financial year was a very challenging year for Heathcote and Nagambie branches.

Lending activity and growth for our Heathcote branch remained challenging and will continue to remain challenging with the current environment. We have a marketing/development plan in place for Heathcote. As a branch we need to reconnect with the Heathcote Community, we have a lot of newcomers to Heathcote, and it is a growing community. Our focus is to connect with the community's new residences. Community Networking is a big part of our plan.

Heathcote branch excelled in most other areas of our business and was recognised as being a leader within the insurance, superannuation, and deposit funds space.

Nagambie improved in the lending deposit funds & insurance space. There is still a lot of work to be done at Nagambie, which we have set a development/marketing plan to tackle these challenges. This has already been implemented, with the upskilling of Renae to a lending role, this will provide the Nagambie branch with the right skill set to grow.

We achieved a lot considering the difficult environment we were operating in through the past financial year. I would like to thank all my staff for their efforts over the past 12 months. Our Heathcote team comprising of Krystal Eickert, Marlene Troy, Christine Monson, Karina Meerman and Jasmine Morgan as well as our Nagambie team in Renae Costantini and Di Woosnam have all contributed significantly to our strong years result.

Our focus for both branches is to upskill all staff in areas that will help to grow our business. Renae and Krystal are both on their personal lending path. This will provide both branches with more opportunity for lending growth. It is also to have staff skilled to be able to fill a role should there be any future changes. This has been an issue in the past which we have a focus to change going forward.

I see many opportunities in the Nagambie district, and our goal for Nagambie is to be community connected, this will be achieved with future events, with all staff to be active within the community.

I would like to acknowledge past Branch Manager Michael Prowse, who left the Heathcote & District Community Bank January 2022. Michael made a large contribution to both branches during his time as manager, I wish Michael all the best with the next chapter in his working career.

I would like to thank and acknowledge Nagambie staff member Alicia McLeod who has left business over this financial year period, Alicia contributed to our business in a huge way, I wish Alicia all the best for their future endeavours.

Our board of directors led by chairman Stephen Trompp deserves a huge thank-you for all their efforts throughout the past year. This group of volunteers continue to dedicate countless hours each month in ensuring our company is run smoothly as well as ensuring the investment back into our local communities is well governed and transparent. A big thankyou to all board members for their guidance support over the past 12 months. We also thank our business bankers Simon Perry and Stephen Schintler. Both have contributed significantly to our business and continue to be a great resource for both Heathcote and Nagambie branches. I look forward to seeing what both branches can achieve moving forward into the new year. Opportunities are ever-present for both branches, and we strive to continue to grow both branches.

Thank-you to our customers and shareholders who continue to support our business which is allowing us to give back into the Community and to continue to be here.

Without our local Community support we would not be able to continue to give to the Heathcote and Nagambie communities. This support provides Sponsorship & Grant funds which stays local, and we also provide employment opportunities locally which I feel is very important.

Teri Johnson
Heathcote & District and Nagambie Branch Manager

Heathcote & District Financial Services Limited

ABN: 44 112 376 986

Financial Report

For the year ended
30 June 2022

Directors' Report

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:

Stephen Roger Trompp
Chairman

Experience and expertise: Over 30 years experience in senior management in the financial services sector. Particular emphasis on financial product design, development and marketing.

Special responsibilities: Chairman

Andrew Neil Campbell
Non-executive director

Experience and expertise: Registered Wool Classer and Officer Redesdale CFA.

Special responsibilities: Nil

Natalie Therese Sheridan-Smith
Non-executive director (appointed 15 May 2022)

Experience and expertise: Legal practitioner for 20 years including 14 years as barrister – specialising in criminal law, children's law, and regulatory compliance. Bachelor of Laws (UTS,2002); Graduate Diploma in Legal Practice (UTS, 2002); Nationally Accredited Mediator (NMAS 2021). GAICD qualification – April 2020. Heathcote Health Board of Directors - 3 years (2019 - 2022). Recently appointed to Alexandra District Hospital Board (2022). Secretary/ company secretary for Howells' List Barristers Pty Ltd.

Special responsibilities: Nil

Bradley Adam Todd
Non-executive director

Experience and expertise: Licenced Estate Agent, Bachelors of Business (La Trobe) with 12 years Real Estate Industry experience. Real Estate Institute of Victoria (REIV) member.

Special responsibilities: Nil

Peter Catherwood Young
Non-executive director

Experience and expertise: Former Managing Director of an IT Services Company with $16m revenue. Former President of Heathcote Winegrowers Association. Former Vice President of the Medical Software Industry Association Australia. Peter has a Bachelor of Science (Honours) and an MBA, Master Wine Technology and Viticulture. He is currently CEO and winemaker at Silver Spoon Estate, Heathcote. Currently a board member of Heathcote Tourism and Development.

Special responsibilities: Treasurer

Victoria Elizabeth Carolan
Non-executive director (appointed 1 April 2022)

Experience and expertise: 22 years experience in Sales, Marketing and Leadership roles within the banking sector. Invested member of Heathcote community and volunteering at local schools and sporting clubs with her family.

Special responsibilities: Sponsorship committee

Directors' report (continued)

Marlene (Sissy) Christina Hoskin
Non-executive director

Experience and expertise: Professional Woolclasser, Registered Nurse, Cert 3 in Education Support, cert 4 hospitality. Currently employed as the Executive Officer for Nagambie Lakes Tourism & Commerce, T/A GoNagambie. Named Nagambie Citizen of the Year in 2014. Awarded the 2013 Strathbogie Shire Event of the Year for the Melbourne Cup Tour, Awarded in 2015 Nagambie Community Organisation of the Year, and Strathbogie Shire Community Organisation of the Year, Nagambie Community Event of the Year 2018 – Daniher Drive, Nagambie Community Event of the Year 2019 - NYE and Australian Government Volunteer Award in 2019 – Go Nagambie. Successful in gaining funding for various projects in Nagambie including current projects - the High Street Nagambie beautification project and the Destination Nagambie project, town entry project. Editor of the fortnightly publication of the Nagambie Community Voice. Currently participating in the 2019 Fairley Leadership program receiving sponsorship from the Strathbogie Shire Council. Member Committee TACAC Strathbogie Shire. Member Parents & Friends Assumption College Parents Friends. Member of the Nagambie Ambulance Service Community Alliance.

Special responsibilities: Nil

Jaclyn Kate Troy
Non-executive director

Experience and expertise: Jaclyn currently works at the McIvor Times and is President of Kiwanis Heathcote. She was the Coordinator for the Bunbunarik Children's Hub in Heathcote, a care program Coordinator during COVID-19 for the Heathcote and District Community Bank, Qualified childcare worker and worked as an after School Care worker in Heathcote.

Special responsibilities: Local Sponsorship Coordinator

Timothy Goodacre
Non-executive director

Experience and expertise: Timothy has over 40 years involvement in Australian and New Zealand agribusiness including the roles of CEO and Board Director. He is currently the Chair of several agribusinesses in New Zealand. Timothy is a past President of Go Nagambie and current Director of Nagambie Health Care. His other directorships include Chair of Scales Corporation, Chair of The Nutritious Kiwifruit Company and Director and Advisor of Prevar Limited.

Special responsibilities: nil

Directors' report (continued)

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

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Michelle Baker was appointed company secretary on 4 November 2020.
- Hannah Thomson was appointed company secretary on 9 October 2012 and resigned 1 April 2022.

Experience and expertise:

- Hannah has extensive experience in areas of managing accounts and customer service.
- Michelle is an experienced Company Secretary with many years working within the Community Bank network. Michelle holds a Bachelor of Arts, Advanced Diploma in Business and has completed extensive training through the Governance Institute of Australia.

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 $19,217 (30 June 2021: $36,579).

Operations have continued to perform in line with expectations.

Environmental regulation

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

Likely developments

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

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.

Dividends

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

	Cents per share	2022 $
Final fully franked dividend	6	35,695

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

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.5 basis points moving from 0.85% at 30 June 2022 to 2.35% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

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

Directors' report (continued)

Directors' interests

The interest in company shareholdings for each director are:

	Fully paid ordinary shares		
	Balance at the start of the year	Changes during the year	Balance at the end of the year
Stephen Roger Trompp	1,700	-	1,700
Bradley Adam Todd	-	-	-
Andrew Neil Campbell	-	-	-
Peter Catherwood Young	-	-	-
Marlene (Sissy) Christina Hoskin	-	-	-
Jaclyn Kate Doley	-	-	-
Timothy Goodacre	-	-	-
Victoria Elizabeth Carolan	-	-	-
Natalie Therese Sheridan-Smith	-	-	-

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 Meetings		Committee Meetings			
			Sponsorship		Finance	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stephen Roger Trompp	10	10	2	2	2	2
Bradley Adam Todd	10	5	2	2	-	-
Andrew Neil Campbell	10	7	2	2	-	-
Peter Catherwood Young	10	9	2	2	2	2
Marlene (Sissy) Christina Hoskin	10	5	2	2	-	-
Jaclyn Kate Doley	10	6	2	2	-	-
Timothy Goodacre	10	8	2	2	-	-
Victoria Elizabeth Carolan	3	1	-	-	-	-
Natalie Therese Sheridan-Smith	2	2	-	-	-	-

Directors' report (continued)

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.

Indemnity and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Proceedings on behalf of the company

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

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

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 25 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*.

Stephen Roger Trompp
Chairman

30 September 2022

Auditor’s independence declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor’s independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Heathcote & District Financial Services Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30 September 2022

Adrian Downing
Lead Auditor

afsbendigo.com.au

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	6	876,567	859,973
Other revenue	7	54,792	66,667
Finance revenue		1,791	3,187
Employee benefits expense	8	(499,239)	(471,453)
Advertising and marketing costs		(23,668)	(18,953)
Occupancy and associated costs		(41,025)	(36,364)
System costs		(31,390)	(33,811)
Depreciation and amortisation expense	8	(86,300)	(75,337)
Finance costs	8	(23,337)	(24,187)
General administration expenses		(114,877)	(126,956)
Profit before community contributions and income tax expense		113,314	142,766
Charitable donations and sponsorships expense		(87,360)	(93,002)
Profit before income tax expense		25,954	49,764
Income tax expense	9	(6,737)	(13,185)
Profit after income tax expense for the year	19	19,217	36,579
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		19,217	36,579
		Cents	**Cents**
Basic earnings per share	27	3.23	6.15
Diluted earnings per share	27	3.23	6.15

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

Financial statements (continued)

Statement of Financial Position

As at June 30 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	10	401,525	445,694
Trade and other receivables	11	53,008	15,222
Current tax assets	9	6,932	1,751
Total current assets		461,465	462,667
Non-current assets			
Property, plant and equipment	12	80,267	62,195
Right-of-use assets	13	524,514	540,632
Intangibles	14	74,701	100,517
Deferred tax assets	9	5,316	5,599
Total non-current assets		684,798	708,943
Total assets		1,146,263	1,171,610
Liabilities			
Current liabilities			
Trade and other payables	15	73,694	55,828
Lease liabilities	16	27,771	26,476
Total current liabilities		101,465	82,304
Non-current liabilities			
Trade and other payables	15	28,048	56,097
Lease liabilities	16	508,489	510,257
Provisions	17	41,292	39,505
Total non-current liabilities		577,829	605,859
Total liabilities		679,294	688,163
Net assets		466,969	483,447
Equity			
Issued capital	18	558,357	558,357
Accumulated losses	19	(91,388)	(74,910)
Total equity		466,969	483,447

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

Financial statements (continued)

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

	Note	Issued capital $	Accumulated Losses $	Total equity $
Balance at 1 July 2020		558,357	(75,794)	482,563
Profit after income tax expense		-	36,579	36,579
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	36,579	36,579
Transactions with owners in their capacity as owners:				
Dividends provided for	21	-	(35,695)	(35,695)
Balance at 30 June 2021		558,357	(74,910)	483,447

	Note	Issued capital $	Accumulated Losses $	Total equity $
Balance at 1 July 2021		558,357	(74,910)	483,447
Profit after income tax expense		-	19,217	19,217
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	19,217	19,217
Transactions with owners in their capacity as owners:				
Dividends provided for	21	-	(35,695)	(35,695)
Balance at 30 June 2022		558,357	(91,388)	466,969

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

Financial statements (continued)

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		990,852	1,040,394
Payments to suppliers and employees (inclusive of GST)		(879,416)	(865,358)
		111,436	175,036
Interest received		1,791	3,187
Interest and other finance costs paid		(13)	-
Income taxes paid		(11,742)	(26,624)
Net cash provided by operating activities	26	101,472	151,599
Cash flows from investing activities			
Payments for property, plant and equipment		(36,460)	(3,688)
Payments for intangibles		(25,498)	(25,498)
Net cash used in investing activities		(61,958)	(29,186)
Cash flows from financing activities			
Dividends paid	21	(35,695)	(35,696)
Repayment of lease liabilities	16	(47,988)	(47,977)
Net cash used in financing activities		(83,683)	(83,673)
Net increase/(decrease) in cash and cash equivalents		(44,169)	38,740
Cash and cash equivalents at the beginning of the financial year		445,694	406,954
Cash and cash equivalents at the end of the financial year	10	401,525	445,694

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

Notes to the financial statements

For the year ended 30 June 2022

Note 1. Reporting entity

The financial statements cover Heathcote & District Financial Services Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is 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
Shop 2, 119 High Street Heathcote VIC 3523	Shop, 119 High Street Heathcote VIC 3523
	1/263 High Street Nagambie VIC 3608

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 30 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.

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 3. Significant accounting policies (continued)

Impairment

Non-derivative financial assets

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

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

Notes to the Financial statements (continued)

For the year ended 30 June 2022

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

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

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

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

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

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

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

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.

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	722,227	717,134
Fee income	65,823	65,681
Commission income	88,517	77,158
Revenue from contracts with customers	876,567	859,973

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

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

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

Note 6. Revenue from contracts with customers (continued)

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

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

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

Margin
Margin is arrived at through the following calculation:

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

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

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

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

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

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

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

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

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

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 7. Other revenue

	2022 $	2021 $
Market development fund	54,792	66,667

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

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

All revenue is stated net of the amount of GST.

Discretionary financial contributions
In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the Board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Note 8. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Leasehold improvements	6,382	2,617
Plant and equipment	5,623	1,964
Motor vehicles	6,383	3,082
	18,388	7,663
Depreciation of right-of-use assets		
Leased land and buildings	42,096	41,858
Amortisation of intangible assets		
Franchise fee	4,303	4,303
Franchise renewal fee	21,513	21,513
	25,816	25,816
	86,300	75,337

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 8. Expenses (continued)

Finance costs

	2022 $	2021 $
Lease interest expense	21,537	22,481
Unwinding of make-good provision	1,787	1,706
Other	13	-
	23,337	24,187

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

Employee benefits expense

	2022 $	2021 $
Wages and salaries	395,130	377,315
Non-cash benefits	3,516	5,274
Superannuation contributions	39,888	36,214
Expenses related to long service leave	(2,664)	4,194
Other expenses	63,369	48,456
	499,239	471,453

Accounting policy for employee benefits
Bendigo Bank seconds employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	11,571	11,886

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.

Charitable donations, sponsorships and grants

	2022 $	2021 $
Direct donation, sponsorship and grant payments	27,360	25,591
Contribution to the Community Enterprise Foundation™	60,000	86,364
	87,360	111,955

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations, sponsorships and grants).

The funds contributed are held by the Community Enterprise Foundation™ (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 8. Expenses (continued)

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

Note 9. Income tax

	2022 $	2021 $
Income tax expense		
Current tax	6,454	18,564
Movement in deferred tax	283	(5,603)
Reduction in company tax rate	-	224
Aggregate income tax expense	6,737	13,185
Prima facie income tax reconciliation		
Profit before income tax expense	25,954	49,764
Tax at the statutory tax rate of 25% (2021: 26%)	6,489	12,939
Tax effect of:		
Non-deductible expenses	248	22
Reduction in company tax rate	-	224
Income tax expense	6,737	13,185

	2022 $	2021 $
Deferred tax assets/(liabilities)		
Provision for lease make good	10,323	9,876
Accrued expenses	826	800
Lease liabilities	134,065	134,184
Right-of-use assets	(131,129)	(135,158)
Bad debt provisions	6,125	6,125
Property, plant and equipment	(14,894)	(10,228)
Deferred tax asset	5,316	5,599

	2022 $	2021 $
Income tax refund due	6,932	1,751

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.

Notes to the Financial statements (continued)

For the year ended 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 at bank and on hand	70,275	148,150
Term deposits	331,250	297,544
	401,525	445,694

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	43,348	8,219
Prepayments	9,660	7,003
	53,008	15,222

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 12. Property, plant and equipment

	2022 $	2021 $
Leasehold improvements - at cost	111,618	126,223
Less: Accumulated depreciation	(76,897)	(85,665)
	34,721	40,558
Plant and equipment - at cost	67,887	63,063
Less: Accumulated depreciation	(55,943)	(50,320)
	11,944	12,743
Motor vehicles - at cost	55,750	24,659
Less: Accumulated depreciation	(22,148)	(15,765)
	33,602	8,894
	80,267	62,195

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 $	Motor vehicles $	Total $
Balance at 1 July 2020	40,512	13,683	11,976	66,171
Additions	2,663	1,024	-	3,687
Depreciation	(2,617)	(1,964)	(3,082)	(7,663)
Balance at 30 June 2021	40,558	12,743	8,894	62,195
Additions	545	4,824	31,091	36,460
Depreciation	(6,382)	(5,623)	(6,383)	(18,388)
Balance at 30 June 2022	34,721	11,944	33,602	80,267

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	1 to 20 years
Plant and equipment	1 to 40 years
Motor vehicles	8 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.

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 12. Property, plant and equipment (continued)

Changes in estimates
The company's review of estimates resulted in changes in the useful life of some of the Nagambie Agency leasehold improvements. The useful life had previously been assessed as 40 years until May 2057. This is now expected to be 15 years until March 2032. The effect of these changes on actual and expected depreciation expense was as follows:

	2022 **$**	**2023** **$**	**2024** **$**	**2025** **$**	**2026+** **$**
(Decrease) increase in depreciation expense	1,561	1,561	1,561	1,561	(6,244)

Note 13. Right-of-use assets

	2022 **$**	**2021** **$**
Land and buildings - right-of-use	889,310	863,332
Less: Accumulated depreciation	(364,796)	(322,700)
	524,514	540,632

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	585,552	585,552
Remeasurement adjustments	(3,062)	(3,062)
Depreciation expense	(41,858)	(41,858)
Balance at 30 June 2021	540,632	540,632
Remeasurement adjustments	25,978	25,978
Depreciation expense	(42,096)	(42,096)
Balance at 30 June 2022	524,514	524,514

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 14. Intangibles

	2022 $	2021 $
Franchise fee	110,223	110,223
Less: Accumulated amortisation	(97,773)	(93,470)
	12,450	16,753
Franchise renewal fee	221,082	221,082
Less: Accumulated amortisation	(158,831)	(137,318)
	62,251	83,764
	74,701	100,517

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	21,056	105,277	126,333
Amortisation expense	(4,303)	(21,513)	(25,816)
Balance at 30 June 2021	16,753	83,764	100,517
Amortisation expense	(4,303)	(21,513)	(25,816)
Balance at 30 June 2022	12,450	62,251	74,701

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

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

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

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	June 2025
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	June 2025

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 15. Trade and other payables

	2022 $	2021 $
Current liabilities		
Trade payables	185	185
Other payables and accruals	73,509	55,643
	73,694	55,828
Non-current liabilities		
Other payables and accruals	28,048	56,097

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

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

Note 16. Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	49,162	47,781
Unexpired interest	(21,391)	(21,305)
	27,771	26,476
Non-current liabilities		
Land and buildings lease liabilities	637,460	650,371
Unexpired interest	(128,971)	(140,114)
	508,489	510,257

Reconciliation of lease liabilities

	2022 $	2021 $
Opening balance	536,733	565,292
Remeasurement adjustments	25,978	(3,063)
Lease interest expense	21,537	22,481
Lease payments - total cash outflow	(47,988)	(47,977)
	536,260	536,733

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 16. Lease liabilities (continued)

Maturity analysis

	2022 $	2021 $
Not later than 12 months	49,162	47,781
Between 12 months and 5 years	211,269	199,243
Greater than 5 years	426,191	451,128
	686,622	698,152

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

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

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

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

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

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

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

The company's lease portfolio includes:

Heathcote branch	The lease agreement commenced in August 2005. A 5 year renewal option was exercised in August 2020. The company has 2 x 5 year renewal option 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 July 2035. The discount rate used in calculations is 3.54%.
Nagambie branch	The lease agreement commenced in April 2016. A 5 year renewal option was exercised in April 2022. The company has 1 x 5 year renewal option 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 March 2032. The discount rate used in calculations is 5.39%.

Note 17. Provisions

	2022 $	2021 $
Lease make good	41,292	39,505

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 17. Provisions (continued)

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

Lease	Lease term expiry date per AASB 16	Estimated provisions
Heathcote	July 2035	$33,800
Nagambie	March 2032	$33,800

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 18. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	594,910	594,910	594,910	594,910
Less: Equity raising costs	-	-	(36,553)	(36,553)
	594,910	594,910	558,357	558,357

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

Rights attached to issued capital

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

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

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

Note 18. Issued capital (continued)

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.

Note 19. Accumulated losses

	2022 $	2021 $
Accumulated losses at the beginning of the financial year	(74,910)	(75,794)
Profit after income tax expense for the year	19,217	36,579
Dividends paid (note 21)	(35,695)	(35,695)
Accumulated losses at the end of the financial year	(91,388)	(74,910)

Note 20. 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.

Note 20. Capital management (continued)

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 21. Dividends

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

	2022 $	2021 $
Fully franked dividend of 6 cents per share (2021: 6 cents)	35,695	35,695

Franking credits

	2022 $	2021 $
Franking account balance at the beginning of the financial year	61,367	47,391
Franking credits (debits) arising from income taxes paid (refunded)	11,742	26,517
Franking debits from the payment of franked distributions	(11,898)	(12,541)
	61,211	61,367
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	61,211	61,367
Franking credits (debits) that will arise from payment (refund) of income tax	(6,932)	(1,751)
Franking credits available for future reporting periods	54,279	59,616

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 22. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	43,348	8,219
Cash and cash equivalents	401,525	445,694
	444,873	453,913
Financial liabilities		
Trade and other payables	101,742	111,925
Lease liabilities	536,260	536,733
	638,002	648,658

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

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

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

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

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

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

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

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 $401,525 at 30 June 2022 (2021: $445,694). 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.

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 22. Financial instruments (continued)

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.

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	73,694	28,048	-	101,742
Lease liabilities	49,162	211,269	426,191	686,622
Total non-derivatives	122,856	239,317	426,191	788,364

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	55,828	56,097	-	111,925
Lease liabilities	47,781	199,243	451,128	698,152
Total non-derivatives	103,609	255,340	451,128	810,077

Note 23. Key management personnel disclosures

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

Stephen Roger Trompp
Bradley Adam Todd
Andrew Neil Campbell
Peter Catherwood Young
Marlene (Sissy) Christina Hoskin
Jaclyn Kate Troy
Timothy Goodacre
Victoria Elizabeth Carolan
Natalie Therese Sheridan-Smith

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 24. Related party transactions

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

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 25. Remuneration of auditors

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

	2022 $	2021 $
Audit services		
Audit or review of the financial statements	5,200	5,000
Other services		
Taxation advice and tax compliance services	1,355	1,350
General advisory services	2,380	2,860
Share registry services	4,228	4,027
	7,963	8,237
	13,163	13,237

Note 26. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 $	2021 $
Profit after income tax expense for the year	19,217	36,579
Adjustments for:		
Depreciation and amortisation	86,300	75,337
Lease liabilities interest	21,537	22,481
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(37,786)	23,938
Increase in income tax refund due	(5,288)	-
Decrease/(increase) in deferred tax assets	283	(7,130)
Increase in trade and other payables	15,422	4,997
Decrease in provision for income tax	-	(6,309)
Increase in other provisions	1,787	1,706
Net cash provided by operating activities	101,472	151,599

Note 27. Earnings per share

	2022 $	2021 $
Profit after income tax	19,217	36,579
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	594,910	594,910
Weighted average number of ordinary shares used in calculating diluted earnings per share	594,910	594,910
	Cents	**Cents**
Basic earnings per share	3.23	6.15
Diluted earnings per share	3.23	6.15

Notes to the Financial statements (continued)

For the year ended 30 June 2022

Note 27. Earnings per share (continued)

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Heathcote & District 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 28. Commitments

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

Note 29. Contingencies

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

Note 30. Events after the reporting period

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.5 basis points moving from 0.85% at 30 June 2022 to 2.35% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

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

Directors' declaration

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

Stephen Roger Trompp
Chairman

30 September 2022

Independent audit report

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Heathcote & District 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 Heathcote & District Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

Independent audit report (continued)

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30 September 2022

Adrian Downing
Lead Auditor

Heathcote & District Financial Services Limited
ABN 44 112 376 986

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Share Registry:
AFS & Associates Bendigo

www.heathcotenagambie.community
www.facebook.com/communitybankheathcotedistrict/

Bendigo Bank