Annual Report 2023

South East Districts Financial Services Limited

Community Bank
Sorell & District

ABN 50 147 950 178

Chairman's report 2023

The last 12 months has again brought significant change to the financial landscape. While those of us over 50 have experienced high interest rates before, many others have never felt the pressure of rising rates and the necessary changes to weekly spending habits. On the flip side, increasing interest on deposits has been welcomed by patient investors, especially those relying on retirement savings.

A tightening economy has made us more focused than ever on the need for Community Bank Sorell & District to keep working to strengthen our community. That consistent focus and strong financial performance have paved the way for record 2022/23 profit results. In recognising a successful year, our board has approved a 2023 dividend of 5 cents plus a 'bonus' dividend of 2 cents in the dollar.

Thank you to Manager, Sharon Cozens, and team for your commitment to our customers and community partners. This past year they have continued sharing duties between Sorell and Nubeena, making the most of staff time and skills, developing new community relationships in the Campania area, and all while maintaining the friendly and courteous approach our customers appreciate.

Our local Directors continue to evolve the ways we support community infrastructure and invest in community capacity.

- We are proud partners in a significant joint project with the Rotary Club of Sorell, Carlton Park Surf Lifesaving Club and Sorell Council that assists disabled residents to access Carlton Beach using beach wheel chairs.
- In early 2023 we were delighted to support South East Netball Association by taking up naming rights for the club's two new Tasmanian Netball League teams. Competing state-wide offers young women across the south east the opportunity to develop their skills at the highest level, and we will see great value from this initiative for years to come.
- In June 2023 we reached a very significant milestone, making our first Community Enterprise Foundation™ contribution towards a future community grants program specific to our district.

In February this year we welcomed Michael Gordon to the Board. I would like to express my appreciation to our Board of Directors, who bring together wide-ranging business and community expertise for the benefit of Community Bank Sorell & District staff, shareholders, customers and community.

Well done and thank you.

Kerry Vincent
Chairman
South East Districts Financial Services Limited

Branch Manager report 2023

This year Bendigo Bank celebrates 20 years of Community Banking in Tasmania! It's an exciting milestone and one which we should all take some pride in and take a moment to reflect on.

Within this celebration sits a very real commitment to community and a sense of local identity, purpose and belonging.

This is the magic of Community Banking for me – people who feel connected and proud to support a locally owned and operated company…and be a part of something more.

We do however, need to keep looking for new and different ways to share our community message and bring future generations along with us on our journey.

And this is where you, our proud shareholders, can be a part of our on-going success.

We all have connections within our own communities, whether they be family, friends, people with common interests or members of the same club, for example.

And these connections are often a source of information about local services, places you have had a positive experience and felt seen and heard. Our Community Bank story sits well in these conversations.

What's also great about having a local branch in your community?

We are here for you in those moments that matter most in framing your financial well-being.

Whether you are opening your first bank account, learning about digital banking or buying your first home, we are here to help guide you in your decisions.

Being here matters.

And being a part of your community matters to us, as we commit to prospering within communities not from them.

Sharon Cozens
Branch Manager
Community Bank Sorell & District

Community contributions 2011-2023

We are proud to have grown our contributions to shareholders and local organisations over the past 12 years, supporting community strengthening and wellbeing through dividends to local shareholders as well as donations, sponsorships and in-kind support for local organisations.

In June 2023 we reached a significant Community Bank milestone, making our company's first contribution to the Community Enterprise Foundation™ towards funding and managing a community grants program specific to our district.

Dividend Payment History

Financial Year	**Per Share**	**Date Paid**	**Total paid**
2016/2017	$0.043	November 2017	$37,892
2017/2018	$0.043	November 2018	$37,892
2018/2019	$0.050	November 2019	$44,061
2019/2020	$0.025	November 2020	$22,030
2020/2021	$0.035	November 2021	$30,842
2021/2022	$0.040	December 2022	$35,248
TOTAL to June 2023			**$207,965**

Donations, sponsorship, advertising & promotion

Financial Year	**Community investments & advertising/promotion**
2011/2012	$3788
2012/2013	$6093
2013/2014	$12,367
2014/2015	$21,199
2015/2016	$14,105
2016/2017	$14,987
2017/2018	$30,456
2018/2019	$17,858
2019/2020	$16.622
2020/2021	$38,537
2021/2022	$21,071
2022/2023	$178,575*
TOTAL to June 2023	**$372,507**

*includes $165,000 contribution to the Community Enterprise Foundation™ for future grants

Bendigo Bank message 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future – growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than $32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful for the hard work of many passionate Directors, past and present. Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

As a shareholder in your local Community Bank, you belong to an incredible social enterprise network that to date has reinvested more than $300 million in our local communities.

And now, as we celebrate our 25th anniversary milestone, we are evolving even further by sharpening our focus on our community enterprises – separate to the banking side of the business. We are uniting our Community Bank companies through a shared vision of being the most influential network of social enterprises in Australia. This means we'll have a bigger and better story to tell about how we collectively deliver impact.

Our future is together because of our extraordinary strength and aligned partnership with each other, and with our partner, Bendigo and Adelaide Bank. Our partnership with the Bank has been fashioned out of shared effort, risk and reward and it continues to serve us well.

And now even with the digital evolution upon us, the foundation of our future still relies on the guiding principles of the Community Bank model. We are community enterprises and the custodians of this incredible model that collaborates with local communities for social good. The objective of our Community Bank network remains the same. Our evolution will be evidenced by the channels that we use to connect with our customers and communities, digital by design and human where it matters.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches. The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country.

The Community Bank network creates impact though grants, donations and sponsorships that connect with and care for generations of Australians. Network investment ranges from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. We also facilitate and attract partnerships to help support much needed community projects.

The Community Bank National Council (CBNC) is the voice of the Community Bank network. The role of the CBNC is to advocate and influence on behalf of the 240 community enterprises with its partner. It has also been the role of the CBNC to oversee the development of the Community Network Strategy which exists to ensure the ongoing sustainability of this unique collective of social enterprises.

In September this year our Community Bank network celebrates 25 years. It's a tremendous milestone and one which we're hugely proud of achieving. We have never been stronger and we look forward to continuing to serve our shareholders, customers and communities as we embrace our exciting future.

Warm regards

Sarah Franklyn
CBNC Chair

South East Districts Financial Services Limited

ABN 50 147 950 178

Financial Report - 30 June 2023

South East Districts Financial Services Limited
Directors' report
30 June 2023

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

Directors

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

Name:	Kerry John Vincent
Title:	Non-executive director
Experience and expertise:	Kerry is the Mayor of Sorell, Rotarian, President of South East Community Care, Owner of Rural Solutions Tas, Board Chair of Swansea Bark Mill Tavern, Board member of Business Association of Sorell, Chair of South East Regional Development Association, Board member of BEST employment and Business Hub, Deputy Chair of Copping Waste Authority, Member of Sorell School Association, Chief Owner Rep. Southern Tasmanian Regional Waste Authority and TasWater Board Selection Committee.
Special responsibilities:	Chairman, HR Committee, Marketing and Sponsorship Committee and Board Recruitment.

Name:	Anthony David Davis
Title:	Non-executive director
Experience and expertise:	Anthony commenced in private practice as an accountant in Sorell some 23 years ago and built a significant local client base. He has recently sold his practice to Bentleys Sorell. He has been on the Board of South East Community Care Inc for the past 18 years and has served as President. He retired from SECC at the AGM in October 2021. He is a Founding Member of the Business Council of Sorell and is a long standing member and past president of the Sorell Lions Club. He is also on the Board of the Regional Community Learning and Development Centre – Levendale as their Treasurer. He is also a member of Lodge Pembroke here in Sorell.
Special responsibilities:	Treasurer

Name:	Melinda Jane Reed
Title:	Non-executive director
Experience and expertise:	Melinda is a Sorell Councillor, first elected in 2018. A member of the Governance Institute of Australia, Melinda represented regional Victoria and Tasmania on the Community Bank National Council 2019-2022 and was a director of CPS Credit Union 1998-2000. A community advocate, writer and editor, Melinda holds a Business Degree, a Graduate Diploma in Public Relations and enjoyed a long career with Australian Taxation Office at state and national levels including Senior Communication Adviser 1996-2010. Melinda serves on the boards of Neighbourhood Houses Tasmania and their national peak ANHCA. She was president of Okines Community House and is a long-standing committee member of the Dodges Ferry Primary School Association.
Special responsibilities:	Company Secretary

Name:	Janice Maree McConnon
Title:	Non-executive director
Experience and expertise:	Janice is a farmer with extensive involvement in her local community. A board member of South East Community Care, Deputy Chair of Levendale Hall Committee. Has previously organised farmers forums and past community participation. Past Chair, Secretary and Public Officer for Levendale Primary School 1993-2014, past board member of Edmund Rice Camp Tasmania. Founding member of Levendale Woodsdale History Room, set up to record oral, written and visual history of the area for future generations, and for learning opportunities for students. Fundraising for local sporting clubs and holds a diploma of Rural Business Management and completed the Australian Institute of Company Directors - Community Bank Director Development.
Special responsibilities:	Minute secretary

Name:	Darryn John Charles Scott
Title:	Non-executive director
Experience and expertise:	Darryn is Managing Director of S Commercial Project Consulting Pty Ltd: a building and development consulting firm. Managing Director of S Property Developments: a property development company. Member of the Master Builders Association of Tasmania (Former Chair of the Commercial Sector). Darryn holds a Diploma in Management and is currently specialising in Property Development feasibility, Project Management, Construction Management and Design Management.
Special responsibilities:	Nil

Name:	Scott Alexander Gatehouse
Title:	Non-executive director
Experience and expertise:	Currently employed in Operations management and experienced in numerous industry roles in Tasmania and the UK. Has a Diploma of Business studies at the University of Lincoln. Scott is the leading Fire Fighter at Wattle Hill Fire Brigade, a committee member of the South East Netball Association and past member of Sorell School Association. He is also a member of the Tasmanian State Marketing Committee and past member of Agfest organising committee and agriculture show committees.
Special responsibilities:	Deputy Chair, Member of Tasmanian State Marketing Committee

Name:	Joanne Palmer
Title:	Non-executive director
Experience and expertise:	Jo and her family are involved with two local businesses, who employ young people, giving them opportunities to further their education and training. Jo is a hairdresser owning her own salon from 1992 to 2021. International Hairstylists Society, as Tasmanian Director to National President. National Hairdressing Federation as Tasmanian representative, working on National Hairdressing Training Package. Sorell School, with the School Association and various committees. Nugent Hall and Sports Association as secretary. Look Good Feel Better at the Royal Hobart Hospital for women with cancer, to assist with hair and wigs. Hair Aid Australia Ambassador, travels to Manila, Cambodia and Indonesia, teaching hairdressing skills to the homeless and to assist women to get out of the sex trade. National Australian Scooter Association as secretary. Looking forward to watching Sorell grow & thrive with being involved with local Sorell businesses.
Special responsibilities:	Nil

Name:	Michael Evan Larkins
Title:	Non-executive director
Experience and expertise:	Michael started his own business in 2014 and has grown it from a small operation to now covering the southern Tasmanian region. Michael is a Committee Member of the South East Basketball Association, Glenorchy Basketball Association and the Business Council of Sorell. He involves himself and his company in the community through sponsorship and hosting charity events to raise money such events include the point to pinnacle. He is also a member of Lodge Pembroke here in Sorell.
Special responsibilities:	Nil

Name:	Michael Kenneth Gordon
Title:	Non-executive director (appointed 22 February 2023)
Experience and expertise:	20+ years as director and principal of a management consulting business with a focus on governance and organisational development. Chief Executive Officer of a community sector peak body. Owner and operator of small businesses including primary production, transport, travel and retail. Director of State-owned Company including chairperson of the Human Resources and Renumeration Committee and member of Policy and Rules Committee. Active in several community organisations including office bearer roles. Bachelor of Business (Human Resource Development); Graduate Diploma – Honours (Antarctic and Southern Ocean Studies); Graduate Diploma – Institute of Company Directors.

Name:	Ricky Samuel Birch
Title:	Non-executive director (resigned 26 April 2023)
Experience and expertise:	Ricky is currently employed as a Training Co-ordinator for South East Trade Training Centre at Sorell. Also works in the Forestry & Fire Management industries. Brigade Chief Runnymede Fire Brigade, Board Member of Regional and Rural Learning Centre Inc., East Coast Employee Safety Representative for Tasmania Fire Service, Accredited Trainer / Assessor with Forest Works and Timber Training Creswick and member of Sorell School Association. Training Instructor with Tasmania Fire Service.
Special responsibilities:	Nil

Company secretary
The company secretary is Melinda Jane Reed. Melinda was appointed to the position of company secretary on 1 October 2020.

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 $228,589 (30 June 2022: $48,627).

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

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

	2023 $
Unfranked dividend of 4 cents per share (2022: 3.5 cents)	35,248

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 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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

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

Meetings of directors
The number of directors meetings attended by each of the directors of the company during the financial year were:

	Board	
	Eligible	Attended
Kerry John Vincent	11	9
Anthony David Davis	11	10
Melinda Jane Reed	11	11
Ricky Samuel Birch	9	3
Janice Maree McConnon	11	11
Darryn John Charles Scott	11	8
Scott Alexander Gatehouse	11	11
Joanne Palmer	11	8
Michael Evan Larkins	11	9
Michael Kenneth Gordon	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
Kerry John Vincent	30,502	-	30,502
Anthony David Davis	8,001	-	8,001
Melinda Jane Reed	-	-	-
Ricky Samuel Birch	2,001	-	2,001
Janice Maree McConnon	4,001	-	4,001
Darryn John Charles Scott	-	-	-
Scott Alexander Gatehouse	1,000	-	1,000
Joanne Palmer	-	-	-
Michael Evan Larkins	-	-	-
Michael Kenneth Gordon	-	-	-

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 23 to the accounts.

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

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

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

On behalf of the directors

____
Kerry John Vincent
Chair

25 September 2023

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

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

As lead auditor for the audit of South East Districts Financial Services Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 25 September 2023

Joshua Griffin
Lead Auditor

South East Districts Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue from contracts with customers	6	1,104,702	702,686
Other revenue		9,953	14,900
Finance revenue		10,751	1,523
Total revenue		1,125,406	719,109
Employee benefits expense	7	(450,765)	(439,235)
Advertising and marketing costs		(3,151)	(3,171)
Occupancy and associated costs		(25,085)	(30,376)
System costs		(27,201)	(31,356)
Depreciation and amortisation expense	7	(66,241)	(56,180)
Finance costs	7	(13,213)	(15,180)
General administration expenses		(59,541)	(60,869)
Total expenses before community contributions and income tax expense		(645,197)	(636,367)
Profit before community contributions and income tax expense		480,209	82,742
Charitable donations, sponsorships and grants expense	7	(175,424)	(17,900)
Profit before income tax expense		304,785	64,842
Income tax expense	8	(76,196)	(16,215)
Profit after income tax expense for the year	17	228,589	48,627
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		228,589	48,627
		Cents	**Cents**
Basic earnings per share	25	25.94	5.52
Diluted earnings per share	25	25.94	5.52

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

South East Districts Financial Services Limited
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	9	893,548	484,132
Trade and other receivables	10	67,230	41,105
Total current assets		960,778	525,237
Non-current assets			
Property, plant and equipment	11	53,215	66,109
Right-of-use assets	12	179,421	218,486
Intangible assets	13	49,213	61,374
Deferred tax assets	8	24,966	30,810
Total non-current assets		306,815	376,779
Total assets		1,267,593	902,016
Liabilities			
Current liabilities			
Trade and other payables	14	190,170	22,340
Lease liabilities	15	56,185	52,721
Current tax liabilities	8	70,352	-
Total current liabilities		316,707	75,061
Non-current liabilities			
Trade and other payables	14	30,862	46,293
Lease liabilities	15	215,585	269,912
Lease make good provision		8,306	7,958
Total non-current liabilities		254,753	324,163
Total liabilities		571,460	399,224
Net assets		696,133	502,792
Equity			
Issued capital	16	847,158	847,158
Accumulated losses	17	(151,025)	(344,366)
Total equity		696,133	502,792

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

South East Districts Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2023

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2021		847,158	(362,151)	485,007
Profit after income tax expense		-	48,627	48,627
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	48,627	48,627
Transactions with owners in their capacity as owners:				
Dividends provided for	19	-	(30,842)	(30,842)
Balance at 30 June 2022		847,158	(344,366)	502,792

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2022		847,158	(344,366)	502,792
Profit after income tax expense		-	228,589	228,589
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	228,589	228,589
Transactions with owners in their capacity as owners:				
Dividends provided for	19	-	(35,248)	(35,248)
Balance at 30 June 2023		847,158	(151,025)	696,133

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

South East Districts Financial Services Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,199,612	770,316
Payments to suppliers and employees (inclusive of GST)		(685,642)	(648,677)
Interest received		10,751	1,523
Net cash provided by operating activities	24	524,721	123,162
Cash flows from investing activities			
Payments for property, plant and equipment		-	(3,802)
Payments for intangible assets		(14,208)	(14,208)
Net cash used in investing activities		(14,208)	(18,010)
Cash flows from financing activities			
Dividends paid	19	(35,248)	(30,842)
Repayment of lease liabilities	15	(65,849)	(64,051)
Net cash used in financing activities		(101,097)	(94,893)
Net increase in cash and cash equivalents		409,416	10,259
Cash and cash equivalents at the beginning of the financial year		484,132	473,873
Cash and cash equivalents at the end of the financial year	9	893,548	484,132

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

Note 1. Reporting entity

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 4 Ollie Drive, Sorell, TAS 7172.

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

Note 2. Basis of preparation and statement of compliance

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 September 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations
There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2022, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

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

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

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

Note 3. Significant accounting policies (continued)

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

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

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

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

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

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

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.

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

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.

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

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in November 2026.

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 Bendigo Bank 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.

Note 5. Economic dependency (continued)

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

	2023 $	2022 $
Margin income	924,227	521,897
Fee income	51,279	51,634
Commission income	129,196	129,155
	1,104,702	702,686

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

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

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

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

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

Revenue calculation

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

Note 6. Revenue from contracts with customers (continued)

Margin income
Margin on core banking products is arrived at through the following calculation:

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

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

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

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

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

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

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

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

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

Note 7. Expenses

Employee benefits expense

	2023 $	2022 $
Wages and salaries	352,427	343,946
Superannuation contributions	38,670	41,882
Expenses related to long service leave	3,420	943
Other expenses	56,248	52,464
	450,765	439,235

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.

Note 7. Expenses (continued)

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets		
Leasehold improvements	11,420	12,630
Plant and equipment	1,474	1,833
	12,894	14,463
Depreciation of right-of-use assets		
Leased land and buildings	41,186	32,964
Amortisation of intangible assets		
Franchise fee	1,094	1,459
Franchise renewal process fee	11,067	7,294
	12,161	8,753
	66,241	56,180

Finance costs

	2023 $	2022 $
Lease interest expense	12,865	14,765
Unwinding of make-good provision	348	415
	13,213	15,180

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

Leases recognition exemption

	2023 $	2022 $
Expenses relating to low-value leases	10,438	14,125

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under *AASB 16 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

Charitable donations, sponsorships and grants expense

	2023 $	2022 $
Direct donation, sponsorship and grant payments	10,424	17,900
Contribution to the Community Enterprise Foundation™	165,000	-
	175,424	17,900

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

Note 7. 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 8. Income tax

	2023 $	2022 $
Income tax expense		
Current tax	70,352	-
Movement in deferred tax	104	1,691
Recoupment of prior year tax losses	5,740	14,524
Aggregate income tax expense	76,196	16,215
Prima facie income tax reconciliation		
Profit before income tax expense	304,785	64,842
Tax at the statutory tax rate of 25%	76,196	16,211
Tax effect of:		
Non-deductible expenses	-	4
Income tax expense	76,196	16,215

	2023 $	2022 $
Deferred tax assets/(liabilities)		
Carried-forward tax losses	-	5,740
Property, plant and equipment	(968)	-
Provision for lease make good	2,077	1,990
Accrued expenses	769	800
Lease liabilities	67,943	80,658
Right-of-use assets	(44,855)	(54,622)
Property, plant and equipment	-	(3,756)
Deferred tax asset	24,966	30,810

	2023 $	2022 $
Provision for income tax	70,352	-

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

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

Note 8. 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 9. Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	261,160	86,868
Term deposits	632,388	397,264
	893,548	484,132

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 10. Trade and other receivables

	2023 $	2022 $
Trade receivables	63,389	36,751
Prepayments	3,841	4,354
	67,230	41,105

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

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

Note 11. Property, plant and equipment

	2023 $	2022 $
Leasehold improvements - at cost	164,334	164,334
Less: Accumulated depreciation	(120,546)	(109,126)
	43,788	55,208
Plant and equipment - at cost	51,717	51,717
Less: Accumulated depreciation	(42,290)	(40,816)
	9,427	10,901
	53,215	66,109

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

	Leasehold improvements $	Plant and equipment $	Total $
Balance at 1 July 2021	67,838	8,932	76,770
Additions	-	3,802	3,802
Depreciation	(12,630)	(1,833)	(14,463)
Balance at 30 June 2022	55,208	10,901	66,109
Depreciation	(11,420)	(1,474)	(12,894)
Balance at 30 June 2023	43,788	9,427	53,215

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	6 to 20 years
Plant and equipment	1 to 40 years

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

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

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

Changes in estimates
During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 12. Right-of-use assets

	2023 $	2022 $
Land and buildings - right-of-use	572,219	570,098
Less: Accumulated depreciation	(392,798)	(351,612)
	179,421	218,486

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

	Land and buildings $
Balance at 1 July 2021	175,806
Remeasurement adjustments	75,644
Depreciation expense	(32,964)
Balance at 30 June 2022	218,486
Remeasurement adjustments	2,121
Depreciation expense	(41,186)
Balance at 30 June 2023	179,421

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 15 for more information on lease arrangements.

Note 13. Intangible assets

	2023 $	2022 $
Franchise fee	32,134	32,134
Less: Accumulated amortisation	(22,998)	(21,904)
	9,136	10,230
Franchise renewal fee	110,669	110,669
Less: Accumulated amortisation	(70,592)	(59,525)
	40,077	51,144
	49,213	61,374

Note 13. Intangible assets (continued)

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

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2021	747	3,731	4,478
Additions	10,942	54,707	65,649
Amortisation expense	(1,459)	(7,294)	(8,753)
Balance at 30 June 2022	10,230	51,144	61,374
Amortisation expense	(1,094)	(11,067)	(12,161)
Balance at 30 June 2023	9,136	40,077	49,213

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)	November 2026
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	November 2026

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

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

Note 14. Trade and other payables

	2023 $	**2022 $**
Current liabilities		
Trade payables	170,435	1,464
Other payables and accruals	19,735	20,876
	190,170	22,340
Non-current liabilities		
Other payables and accruals	30,862	46,293

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.

Note 14. Trade and other payables (continued)

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 15. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	66,748	65,544
Unexpired interest	(10,563)	(12,823)
	56,185	52,721
Non-current liabilities		
Land and buildings lease liabilities	231,921	296,626
Unexpired interest	(16,336)	(26,714)
	215,585	269,912

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	322,633	296,313
Remeasurement adjustments	2,121	75,606
Lease interest expense	12,865	14,765
Lease payments - total cash outflow	(65,849)	(64,051)
	271,770	322,633

Maturity analysis

	2023 $	2022 $
Not later than 12 months	66,748	65,544
Between 12 months and 5 years	231,921	272,955
Greater than 5 years	-	23,671
	298,669	362,170

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 lease payments 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.

Note 15. Lease liabilities (continued)

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

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

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

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Sorell Branch	4.29%	2 years	2 x 2 years	Yes	October 2027

Note 16. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	881,212	881,212	881,212	881,212
Less: Equity raising costs	-	-	(34,054)	(34,054)
	881,212	881,212	847,158	847,158

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

Rights attached to issued capital

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

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

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

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

Note 16. Issued capital (continued)

<u>Transfer</u>
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").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 299. As at the date of this report, the company had 328 shareholders (2022: 326 shareholders).

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

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

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

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

Note 17. Accumulated losses

	2023 $	2022 $
Accumulated losses at the beginning of the financial year	(344,366)	(331,308)
Profit after income tax expense for the year	228,589	48,627
Dividends paid (note 19)	(35,248)	(61,685)
Accumulated losses at the end of the financial year	(151,025)	(344,366)

Note 18. 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.

Note 18. Capital management (continued)

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 19. Dividends

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

	2023 $	2022 $
Unfranked dividend of 4 cents per share (2022: 3.5 cents)	35,248	30,842

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

Note 20. Financial instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	63,389	36,751
Cash and cash equivalents	893,548	484,132
	956,937	520,883
Financial liabilities		
Trade and other payables	221,032	68,633
Lease liabilities	271,770	322,633
	492,802	391,266

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

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

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

Note 20. Financial instruments (continued)

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

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

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

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of $893,548 at 30 June 2023 (2022: $484,132).

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.

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

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

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

2023	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	190,170	30,862	-	221,032
Lease liabilities	66,748	231,921	-	298,669
Total non-derivatives	256,918	262,783	-	519,701

Note 20. Financial instruments (continued)

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	22,340	46,293	-	68,633
Lease liabilities	65,544	272,955	23,671	362,170
Total non-derivatives	87,884	319,248	23,671	430,803

Note 21. Key management personnel disclosures

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

Kerry John Vincent
Melinda Jane Reed
Janice Maree McConnon
Scott Alexander Gatehouse
Michael Evan Larkins
Anthony David Davis
Ricky Samuel Birch
Darryn John Charles Scott
Joanne Palmer
Michael Kenneth Gordon

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

Note 22. Related party transactions

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

Note 23. 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:

	2023 $	**2022 $**
Audit services		
Audit or review of the financial statements	5,400	5,200
Other services		
Taxation advice and tax compliance services	660	600
General advisory services	2,600	2,090
Share registry services	4,662	4,364
	7,922	7,054
	13,322	12,254

Note 24. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 $	2022 $
Profit after income tax expense for the year	228,589	48,627
Adjustments for:		
Depreciation and amortisation	66,241	56,180
Lease liabilities interest	12,865	14,765
Change in operating assets and liabilities:		
Increase in trade and other receivables	(26,125)	(21,898)
Decrease in deferred tax assets	5,844	16,215
Increase in trade and other payables	166,607	8,821
Increase in provision for income tax	70,352	-
Increase in other provisions	348	452
Net cash provided by operating activities	524,721	123,162

Note 25. Earnings per share

	2023 $	2022 $
Profit after income tax	228,589	48,627
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	881,212	881,212
Weighted average number of ordinary shares used in calculating diluted earnings per share	881,212	881,212
	Cents	**Cents**
Basic earnings per share	25.94	5.52
Diluted earnings per share	25.94	5.52

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of South East Districts Financial Services Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Note 26. Commitments

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

Note 27. Contingencies

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

South East Districts Financial Services Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

____
Kerry John Vincent
Chair

25 September 2023

Andrew Frewin Stewart
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Independent auditor's report to the Directors of South East Districts Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of South East Districts Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of South East 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 2023 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

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

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

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

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.

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Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 25 September 2023

Joshua Griffin
Lead Auditor

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/communitybanksorelldistrict

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_32495331 24/10/2023