Annual Report 2022

Beaufort Community Financial Services Limited

Community Bank · Beaufort

ABN 53 097 961 058

Contents

Chairman's report

For year ending 30 June 2022

As we seemingly move away from the pandemic protocol and restraints, we must not forget the effect these conditions had on the business in the first half of the last year. I must thank the staff for their perseverance and determination to keep the doors open and the branch operating.

As we moved through the year, we reached a milestone that showed how much the community wanted to retain a bank in their community. In March this year we celebrated 20 years since the branch opened, we did endeavour to hold a function for past Directors, but with low numbers responding to their invitation the event had to be cancelled.

Two items that arose this year which the Board had to deal with were:

1. The Franchise Agreement. I am happy to report that the Company has renewed the Franchise Agreement with Bendigo Bank for a further period of five years.
2. The lease on 17 Lawrence Street. After some negotiation and review, the Company and the Landlord have agreed to a further term of five years at an increased price.

With the increased expense of these two items and the recent rises of interest rates by the Reserve Bank, the Board is extremely confident in being able to cover these costs.

With the record low interest rates and some restraint on spending, I am pleased to announce that the Company showed an after-tax profit of $42,994. (2021 $42,187).

With some steady governance and a firm rein on spending, we continue to control costs and trade profitably. Shareholders will be pleased to know that as of June 30 this year, each share is backed by $1.77 of liquid assets.

Also of great significance this year is our Community investments, being, grants, sponsorships, share dividends and donations, are $77,047 for the 2021-22 financial year.

I must mention that two of our Directors resigned this year and I would like to thank them for their hard work and dedication that they brought to the Board. Jane Goninon and Christina Drummond, thank you for your efforts.

At this point I would like to acknowledge a long-standing staff member, Wendy Crick who retired this year. Wendy's commitment to the Bank was outstanding and we wish her and her family all the best.

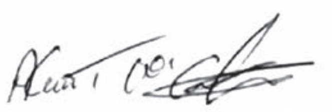
I would also like to thank our two Young Directors over the past year. Ethan Page and Jazz Tiley showed great skill and knowledge when articulating their points to the Board.

To Vicki, Wendy, Jodie and James, the Board expresses its thanks for all your hard work and dedication in keeping Community Bank Beaufort open and operating some 20+ years on from when its doors first opened.

To our Company Secretary Lynne, we thank you for your work in keeping us informed and up to date on issues requiring our attention and record keeping and minute taking.

To my fellow Directors, I thank you for all your hard work and attendance at meetings when and where required.

I am unable to announce that 2022 shareholder's dividend payment, at the time of writing my report as it is yet to be set by the Board and I will have the pleasure of announcing this at the 2022 Annual General Meeting.



Alan T McCartney
Chairman

Manager's report

For year ending 30 June 2022

I present my Branch Manager's report to all shareholders of Community Bank Beaufort with an enormous sense of achievement this year ending June 2022.

This year continued with lockdowns, record low deposit returns, vacancies and trading hours being reduced to maintain a service to our community in difficult situations. Throughout this year two and occasionally three team members at a time kept the branch open. Wendy Crick, who has retired after 20 years of service to our branch, was the constant rock making herself available to cover leave for others so the branch could stay open. I cannot thank you enough Wendy. Happy retirement.

A 5.6% growth result to Community Bank Beaufort's footings balance was an amazing effort in the circumstances. $6.47 million was made up $3.053 million consumer loans and $4.162 million other business.

This loan result is an amazing effort since NPS margin stayed below 0.8% all year with small increases shown in May and June as interest rates began to rise.

It is also important to note the continued transition to digital banking for transactional and lending customers saw a 14.8% reduction in branch transactions for the year. Community Bank Beaufort successfully offers customers a channel of their choice to do business with Bendigo Bank which grows our branch customer base and overall business without the foot traffic.

The team of Wendy, Jodie, James and newcomers Ashlee and Lei all combined throughout the year to provide a consistently high level of customer service to everyone who had contact with them. Well done to you all. We can be very proud of our achievements. Job vacancies and suitable applicants continue to impact our business; we are not immune to this national crisis.

To the Board members who volunteer their time throughout the year a very big thank you for your contribution and commitment to providing face-to-face banking services for our communities.

Our partners at Rural Bank, Business Banking and Risk & Compliance have also contributed throughout the year. Restructuring saw Agri and Business combine to deliver a streamlined offering. I would like to say thank you to Cathy, Kathryn and Kelly for their current support. Chris Patullo continues to provide Risk and Compliance guidance for our business with his astute and practical advice. Thanks Chris.

A huge congratulations to our new customers who backed themselves and joined Community Bank Beaufort, enabling them to now contribute to the prosperity of their towns.

Now more than ever we require all community members, grant or sponsorship recipients, shareholders and Board Directors to choose Community Bank Beaufort as their main bank.

By choosing to bank with Community Bank Beaufort, you are taking ownership of the success and direction of the community you live in. Take control and join with us to grow your business.

Your sincerely

V. Hancock.

Vicki Hancock
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2022

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2022.

Directors

The directors of the company who held office during the financial year and to the date of this report are:

Alan Thomas McCartney
Non-executive chairman
Occupation: Farmer
Qualifications, experience and expertise: Bookkeeping, Certificate in Farming (Apprenticeship), Wool-classing Certificate, Dowling Forest Cemetery Chairman, Burrumbeet Soldiers Memorial Hall Committee (Secretary) and numerous other positions held on various committees.
Special responsibilities: Current Board Chairman
Interest in shares: 8,600 ordinary shares

Robert John Byrne
Non-executive director
Occupation: Senior Victorian Public Servant – Department of Jobs, Precincts and Regions
Qualifications, experience and expertise: B.Sc (Hons) Melb. M.Comm (Hons) Melbourne. Graduated 1999.
Special responsibilities: Chair of Finance, Strategy & HR Committee
Interest in shares: 750 ordinary shares

Simone Victoria Annette Hutchings
Non-executive director
Occupation: Civil Engineer
Qualifications, experience and expertise: Bachelor of Engineering (Civil), Project management, infrastructure design, community consultation and engagement.
Special responsibilities: Chair of Risk, Governance & Audit Committee
Interest in shares: 2,000 ordinary shares

Pamela Margaret Sandlant
Non-executive director
Occupation: Retired School Principal, Farmer/Director, Business Manager
Qualifications, experience and expertise: Diploma of Teaching (Primary), Bachelor of Education, Educational leadership, school management, Director of Corangamite Financial Services (Bendigo Bank), Community House Committee, Community Consultation Network- Anglesea. Chair, President, Secretary and Treasurer of various committees.
Special responsibilities: Board Vice Chairperson and Member of Finance, Strategy & HR Committee
Interest in shares: nil share interest held

Gary Ian Knight
Non-executive director
Occupation: Farmer, Wool Classer
Qualifications, experience and expertise: Bachelor of Education, Certificate IV in Wool Classing, Lieutenant-Treasurer of the Skipton CFA, Member of the Skipton Cemetery Trust, Treasurer of the Skipton Angling Club.
Special responsibilities: Member of Community Investment & Youth Committee
Interest in shares: nil share interest held

Directors *(continued)*

Greg Walton
Non-executive director
Occupation: Teacher
Qualifications, experience and expertise: Bachelor of Applied Science, Graduate Diploma of Education, Graduate Diploma of Educational Administration. Teacher for over 45 years with the Education Department of Victoria, presently teaching at Beaufort Secondary College. While working full time as a teacher, also worked part time for Texas Instruments, Cambridge University Press and Ballarat University. Currently running a small farm with wife Sue overlooking Lake Learmonth.
Special responsibilities: Chair of Community Investment & Youth Committee
Interest in shares: 2,000 ordinary shares

Christina Drummond
Non-executive director
Occupation: Primary School Principal
Qualifications, experience and expertise: Latrobe University Bachelor of Education, Latrobe University Bachelor of Teaching Majors: Sociology, Politics and Culture with a focus on Indigenous Australia, Children's Literature, Riverina Institute of TAFE, Albury Campus Office Administration Certificate III.
Special responsibilities: Member of Community Investment & Youth Committee
Interest in shares: nil share interest held

Catherine Jane Goninon
Non-executive director (resigned 1 June 2022)
Occupation: Farmer
Qualifications, experience and expertise: Diploma of wine Marketing – University of Adelaide, Diploma of Business – School of Volunteer Management NSW, worked in not for profit aged care and welfare organisations where she developed and implemented volunteer programs, Member of the Warrak Recreation Reserve Committee and Member of the Greater Ararat Business Network Committee.
Special responsibilities: Member of Risk, Audit and Governance Committee
Interest in shares: nil share interest held

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

Company Secretary

The company secretary is Lynne Dickman. Lynne was appointed to the position of secretary on 4 December 2019.

Qualifications, experience and expertise: Lynne holds a Certificate of Business Management, and a Certificate III in Hospitality - Patisserie. During her working career she has held positions as the Business Manager at a Victorian Government School for 30 years, and as a senior clerk with a local government water board, working in the hospitality industry and childcare industry. Over the years she has been a volunteer with many organisations.

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 these activities during the financial year.

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2022 $	Year ended 30 June 2021 $
42,994	42,187

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Alan Thomas McCartney	8,600	-	8,600
Robert John Byrne	750	-	750
Simone Victoria Annette Hutchings	2,000	-	2,000
Pamela Margaret Sandlant	-	-	-
Gary Ian Knight	-	-	-
Greg Walton	-	2,000	2,000
Christina Drummond	-	-	-
Catherine Jane Goninon	-	-	-

Dividends

During the financial year, the following dividends were paid.

	Cents per share	Total amount $
Final fully franked dividend	6.5	27,979

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future 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.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 30.

Indemnification 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. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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:

E - eligible to attend
A - number attended

	Board Meetings Attended		Committee Meetings Attended					
			Community Investment & Youth		Risk, Governance & Audit		Finance, Strategy & HR	
	E	A	E	A	E	A	E	A
Alan Thomas McCartney	11	11	10	10	1	1	5	5
Robert John Byrne	11	11	-	-	-	-	5	5
Simone Victoria Annette Hutchings	11	11	-	-	9	9	-	-
Pamela Margaret Sandlant	11	9	-	-	-	-	5	4
Gary Ian Knight	11	8	10	8	-	-	-	-
Greg Walton	11	10	10	10	-	-	-	-
Christina Drummond	11	10	10	9	-	-	-	-
Catherine Jane Goninon	11	11	-	-	9	9	-	-

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.*

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 (CountPro Audit Pty Ltd) for audit and non-audit services provided during the year are set out in note 29 to the accounts.

CountPro Audit Pty Ltd were not engaged to provide any non-audit services during the financial year (2021: Nil).

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 on page 9.

Signed in accordance with a resolution of the directors at Beaufort, Victoria.

Alan Thomas McCartney, Chair

Dated this 7 day of September 2022

Auditor’s independence declaration

CountPro AUDIT

Beaufort Community Financial Services Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Beaufort Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

(i) no contraventions of the auditor independence requirements as set out in 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.

CountPro Audit Pty Ltd
....
CountPro Audit Pty Ltd

....
Jason D. Hargreaves
Director

180 Eleanor Drive, Lucas

7 September 2022

180 Eleanor Drive, Lucas, VIC 3350 PO Box 4259, Lucas, VIC 3350 Phone (03) 5331 2333 www.countpro.com.au
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Beaufort Community Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2022

	Notes	2022 $	2021 $
Revenue from contracts with customers	8	599,793	597,000
Other revenue	9	37,147	60,531
Finance income	10	201	607
Employee benefit expenses	11e)	(338,323)	(332,330)
Charitable donations, sponsorship, advertising and promotion	11c)	(74,316)	(80,921)
Occupancy and associated costs		(18,049)	(29,591)
Systems costs		(18,506)	(21,790)
Depreciation and amortisation expense	11a)	(32,213)	(32,614)
Finance costs	11b)	(7,885)	(9,108)
General administration expenses		(90,273)	(100,121)
Profit before income tax expense		57,576	51,663
Income tax expense	12a)	(14,582)	(9,476)
Profit after income tax expense		42,994	42,187
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Net gain/(loss) on measurement of investments at fair value	25b)	(46,174)	31,450
Other comprehensive income for the year, net of income tax		(46,174)	31,450
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(3,180)	73,637
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32a)	9.99	9.80

The accompanying notes form part of these financial statements

Beaufort Community Financial Services Limited
Statement of Financial Position
as at 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	417,345	394,605
Trade and other receivables	15a)	73,201	59,817
Current tax assets	19a)	-	6,744
Total current assets		490,546	461,166
Non-current assets			
Other investments	14a)	342,612	385,040
Property, plant and equipment	16a)	83,476	92,966
Right-of-use assets	17a)	49,726	60,220
Intangible assets	18a)	61,132	7,635
Deferred tax asset	19b)	17,542	-
Total non-current assets		554,488	545,861
Total assets		1,045,034	1,007,027
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	64,541	32,947
Current tax liabilities	19a)	7,081	-
Lease liabilities	21a)	19,247	15,127
Employee benefits	23a)	37,690	40,748
Total current liabilities		128,559	88,822
Non-current liabilities			
Trade and other payables	20a)	44,000	-
Lease liabilities	21b)	37,070	55,813
Employee benefits	23b)	4,061	1,456
Provisions	22a)	34,942	33,310
Deferred tax liability	19b)	-	65
Total non-current liabilities		120,073	90,644
Total liabilities		248,632	179,466
Net assets		796,402	827,561
EQUITY			
Issued capital	24a)	430,440	430,440
Reserves	25b)	7,594	53,768
Retained earnings	26	358,368	343,353
Total equity		796,402	827,561

The accompanying notes form part of these financial statements

Beaufort Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2022

	Notes	Issued capital $	Fair value reserve $	Retained Earnings $	Total equity $
Balance at 1 July 2020		430,440	22,318	329,145	781,903
Total comprehensive income for the year		-	31,450	42,187	73,637
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31a)	-	-	(27,979)	(27,979)
Balance at 30 June 2021		**430,440**	**53,768**	**343,353**	**827,561**
Balance at 1 July 2021		430,440	53,768	343,353	827,561
Total comprehensive income for the year		-	(46,174)	42,994	(3,180)
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31a)	-	-	(27,979)	(27,979)
Balance at 30 June 2022		**430,440**	**7,594**	**358,368**	**796,402**

The accompanying notes form part of these financial statements

Beaufort Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		659,447	705,873
Payments to suppliers and employees		(578,220)	(602,699)
Interest received		186	648
Distributions received		22,147	16,490
Managed investment fees		(3,010)	(3,744)
Lease payments (interest component)	11b)	(3,025)	(3,670)
Lease payments not included in the measurement of lease liabilities	11f)	(8,352)	(11,300)
Income taxes paid		(4,040)	(9,444)
Net cash provided by operating activities	27	85,133	92,154
Cash flows from investing activities			
Payments for property, plant and equipment		-	(7,639)
Payments for investments		(19,137)	(12,746)
Net cash used in investing activities		(19,137)	(20,385)
Cash flows from financing activities			
Lease payments (principal component)	21	(15,277)	(14,558)
Dividends paid	31a)	(27,979)	(27,979)
Net cash used in financing activities		(43,256)	(42,537)
Net cash increase in cash held		22,740	29,232
Cash and cash equivalents at the beginning of the financial year		394,605	365,373
Cash and cash equivalents at the end of the financial year	13	417,345	394,605

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2022

Note 1 Reporting entity

This is the financial report for Beaufort Community Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
17 Lawrence Street Beaufort Victoria 3373	17 Lawrence Street Beaufort Victoria 3373

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 30.

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, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 7 September 2022.

Note 3 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.

Note 4 Summary of significant accounting policies

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

a) 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 4 Summary of significant accounting policies

a) Revenue from contracts with customers *(continued)*

Revenue	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 Goods and Services Tax (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 – 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 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.

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

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.

b) Other revenue

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	Revenue recognition policy
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
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.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (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.

Cash flow boost

In response to the COVID-19 outbreak, Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020 (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue. The amounts are not assessable for tax purposes.

Note 4 Summary of significant accounting policies *(continued)*

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

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

The company operates as a franchisee 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.

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Note 4 Summary of significant accounting policies *(continued)*

d) Employee benefits *(continued)*

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income 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.

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.

Goods and Services Tax

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 Summary of significant accounting policies *(continued)*

f) 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.

g) 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.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and diminishing value method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Leasehold improvements	Diminishing value	6 to 15 years
Plant and equipment	Straight-line and diminishing value	1 to 10 years
Motor vehicles	Diminishing value	5 years

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

h) 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
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

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

i) 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 and other 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 4 Summary of significant accounting policies *(continued)*

i) 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.

j) 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 the impairment loss (if any).

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.

k) Issued capital

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

l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

m) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

As a lessee (continued)

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 zero.

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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

a) Judgements *(continued)*

Note	Judgement
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 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 of directors.

a) Credit risk

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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 flows amounts are gross and undiscounted.

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

30 June 2022

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	56,317	21,495	40,416	-
Trade payables	64,541	64,541	-	-
	120,858	86,036	40,416	-

30 June 2021

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	70,940	18,127	54,841	6,508
Trade payables	32,947	32,947	-	-
	103,887	51,074	54,841	6,508

c) Market risk

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 primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX).

	2022 $		2021 $	
	10% increase	10% decrease	10% increase	10% decrease
Managed investments	25,696	(25,696)	28,493	(28,493)

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. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of $417,345 at 30 June 2022 (2021: $394,605). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

(b) 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 year ended 30 June 2021 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 8 Revenue from contracts with customers

	2022 $	2021 $
- Margin income	443,885	435,636
- Fee income	47,212	46,012
- Commission income	108,696	115,352
	599,793	597,000

Note 9 Other revenue

	2022 $	2021 $
- Dividend and distribution income	22,147	16,490
- Market development fund income	15,000	22,500
- Cash flow boost	-	19,946
- Other income	-	1,595
	37,147	60,531

Note 10 Finance income

	2022 $	2021 $
- Interest on cash and cash equivalents	201	607

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

Note 11 Expenses

a) Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets:		
- Leasehold improvements	6,334	6,590
- Plant and equipment	3,156	3,147
	9,490	9,737
Depreciation of right-of-use assets		
- Leased land and buildings	7,543	7,416
- Leased motor vehicles	3,386	4,268
	10,929	11,684
Amortisation of intangible assets:		
- Franchise fee	2,220	2,238
- Franchise renewal process fee	9,574	8,955
	11,794	11,193
Total depreciation and amortisation expense	32,213	32,614

b) Finance costs

	2022 $	2021 $
- Amortisation of debt establishment costs	219	139
- Lease interest expense	3,025	3,670
- Unwinding of make-good provision	1,631	1,555
- Managed investment administration fees	3,010	3,744
	7,885	9,108

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

c) Charitable donations, sponsorship, advertising and promotion

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 and grants).

	Note	2022 $	2021 $
- Direct sponsorship, advertising, and promotion payments		21,684	12,500
- Contribution to the Community Enterprise Foundation™	11d)	52,632	68,421
		74,316	80,921

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.

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 11 Expenses *(continued)*

d) Community Enterprise Foundation™ contributions

During the financial year the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo Bank. These contributions paid in form part of charitable donations and sponsorship expenditure included in profit or loss.

Disaggregation of CEF funds	Note	2022 $	2021 $
Opening balance		152,930	164,444
Contributions paid in	11c)	52,632	68,421
Grants paid out		(28,507)	(77,390)
Interest received		863	876
Management fees incurred		(2,631)	(3,421)
Balance available for distribution		175,287	152,930

e) Employee benefit expenses

Wages and salaries	281,345	246,630
Non-cash benefits	1,994	1,848
Contributions to defined contribution plans	28,420	23,508
Other expenses	26,564	60,344
	338,323	332,330

f) Recognition exemption

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

	2022 $	2021 $
Expenses relating to leases that fall outside the scope of AASB 16	8,352	11,300
Expenses relating to short-term leases	-	-
	8,352	11,300

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2022 $	2021 $
Current tax expense		
- Current tax	16,798	9,517
- Movement in deferred tax	(17,607)	9,419
- Investments at FVTOCI	15,391	(9,919)
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	-	(3)
- Adjustment to deferred tax on fair value reserve	-	462
	14,582	9,476

b) Amounts recognised in other comprehensive income

	2022 $			2021 $		
Items that will not be reclassified subsequently to profit or loss:	Gross	Tax expense (credit)	Net of tax	Gross	Tax expense (credit)	Net of tax
- Fair value gains/(losses) on investments	(61,565)	(15,391)	(46,174)	40,908	9,458	31,450

Note 12 Income tax expense *(continued)*

c) *Prima facie* income tax reconciliation	2022 $	2021 $
Operating profit before taxation	57,576	51,663
Prima facie tax on loss from ordinary activities at 25% (2021: 26%)	14,394	13,432
Tax effect of:		
- Non-deductible expenses	188	53
- Non-assessable income	-	(5,186)
- Carried-forward capital losses	-	718
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	-	(3)
- Adjustment to deferred tax on fair value reserve	-	462
	14,582	9,476

Note 13 Cash and cash equivalents

a) Cash and cash equivalents	2022 $	2021 $
- Cash at bank and on hand	235,082	232,529
- Term deposits	182,263	162,076
	417,345	394,605

Note 14 Other investments

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Non-current investments	2022 $	2021 $
Managed investments - at FVTOCI	342,612	385,040

b) Equity securities designated as at fair value through other comprehensive income

The company has made an irrevocable election to recognise fair value movements of its investment class through other comprehensive income. The company designated the equity securities shown below as at FVTOCI because these equity securities represent investments that the company intends to hold for the long term for strategic purposes.

	2022		2021	
Investment	Fair value $	Distribution income recognised $	Fair value $	Distribution income recognised $
IOOF - managed portfolio	342,612	22,147	385,040	16,490

Note 15 Trade and other receivables

a) Current assets	2022 $	2021 $
Trade receivables	65,680	52,004
Prepayments	7,498	7,805
Other receivables and accruals	23	8
	73,201	59,817

Note 16 Property, plant and equipment

a) Carrying amounts

	Note	2022 $	2021 $
Leasehold improvements			
At cost		269,282	269,282
Less: accumulated depreciation		(192,050)	(185,716)
		77,232	83,566
Plant and equipment			
At cost		38,670	38,670
Less: accumulated depreciation		(32,426)	(29,270)
		6,244	9,400
Total written down amount		83,476	92,966

b) Reconciliation of carrying amounts

Leasehold improvements			
Carrying amount at beginning		83,566	84,221
Additions		-	5,935
Depreciation		(6,334)	(6,590)
		77,232	83,566
Plant and equipment			
Carrying amount at beginning		9,400	10,843
Additions		-	1,704
Depreciation		(3,156)	(3,147)
		6,244	9,400
Total written down amount		83,476	92,966

Following the adoption of AASB 16 in the previous financial year, the company now groups its leased assets previously recognised in 'property, plant and equipment' in 'right-of-use assets'.

c) 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 17 Right-of-use assets

a) Carrying amounts

	Note	2022 $	2021 $
Leased land and buildings			
At cost		146,313	145,659
Less: accumulated depreciation and impairment		(111,693)	(104,150)
		34,620	41,509
Leased motor vehicles			
At cost		30,855	30,855
Less: accumulated depreciation and impairment		(15,749)	(12,363)
		15,106	18,492
Borrowing costs applicable to leased motor vehicles			
At cost		556	556
Less: accumulated depreciation and impairment		(556)	(337)
		-	219
Total written down amount		49,726	60,220

Note 17 Right-of-use assets *(continued)*

b) Reconciliation of carrying amounts

Leased land and buildings		
Carrying amount at beginning	41,509	47,465
Remeasurement adjustments	654	1,460
Depreciation	(7,543)	(7,416)
	34,620	41,509
Leased motor vehicles		
Carrying amount at beginning	18,492	22,760
Depreciation	(3,386)	(4,268)
	15,106	18,492
Borrowing costs applicable to leased motor vehicles		
Carrying amount at beginning	219	358
Amortisation	(219)	(139)
	-	219
Total written down amount	49,726	60,220

Note 18 Intangible assets

a) Carrying amounts

	2022 $	2021 $
Franchise fee		
At cost	172,074	161,192
Less: accumulated amortisation and impairment	(161,885)	(159,665)
	10,189	1,527
Franchise renewal process fee		
At cost	99,178	44,769
Less: accumulated amortisation and impairment	(48,235)	(38,661)
	50,943	6,108
Total written down amount	61,132	7,635

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	1,527	3,765
Additions	10,882	-
Amortisation	(2,220)	(2,238)
	10,189	1,527
Franchise renewal process fee		
Carrying amount at beginning	6,108	15,063
Additions	54,409	-
Amortisation	(9,574)	(8,955)
	50,943	6,108
Total written down amount	61,132	7,635

c) Changes 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 19 Tax assets and liabilities

a) Current tax

	2022 $	2021 $
Income tax payable/(refundable)	7,081	(6,744)

b) Deferred tax

	2022 $	2021 $
Deferred tax assets		
- expense accruals	950	900
- employee provisions	10,438	10,551
- make-good provision	8,736	8,328
- lease liability	11,583	13,640
- carried-forward capital losses	711	711
Total deferred tax assets	32,418	34,130
Deferred tax liabilities		
- income accruals	6	2
- fair value of investments	2,532	17,923
- property, plant and equipment	3,683	5,893
- right-of-use assets	8,655	10,377
Total deferred tax liabilities	14,876	34,195
Net deferred tax assets (liabilities)	17,542	(65)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(2,216)	(41)
Movement in deferred tax charged to Statement of Changes in Equity	(15,391)	9,457

Note 20 Trade creditors and other payables

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

a) Current liabilities

	2022 $	2021 $
Trade creditors	7,940	7,938
Other creditors and accruals	56,601	25,009
	64,541	32,947

b) Non-current liabilities

	2022 $	2021 $
Other creditors and accruals	44,000	-
	44,000	-

Note 21 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 on the adoption date. The discount rate used on recognition was 4.79%.

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 company's lease portfolio includes:

- Beaufort branch premises: The lease agreement commenced in February 2007. A 5 year renewal option was exercised in February 2017. 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 January 2027.
- Motor vehicle: The lease agreement is a non-cancellable term of 4 years commencing January 2019. The lease includes a balloon payment at which time the registered security over the motor vehicle is removed.

a) Current lease liabilities	2022 $	2021 $
Property lease liabilities	11,279	11,156
Unexpired interest	(2,018)	(2,423)
	9,261	8,733
Motor Vehicle lease liabilities	10,216	6,971
Unexpired interest	(230)	(577)
	9,986	6,394
	19,247	15,127
b) Non-current lease liabilities		
Property lease liabilities	40,416	51,133
Unexpired interest	(3,346)	(5,306)
	37,070	45,827
Motor Vehicle lease liabilities	-	10,216
Unexpired interest	-	(230)
	-	9,986
	37,070	55,813
c) Reconciliation of lease liabilities		
Balance at the beginning	70,940	84,038
Remeasurement adjustments	654	1,460
Lease interest expense	3,025	3,670
Lease payments - total cash outflow	(18,302)	(18,228)
	56,317	70,940

Note 21 Lease liabilities *(continued)*

d) Maturity analysis

- Not later than 12 months	21,495	18,127
- Between 12 months and 5 years	40,416	54,841
- Greater than 5 years	-	6,508
Total undiscounted lease payments	61,911	79,476
Unexpired interest	(5,594)	(8,536)
Present value of lease liabilities	56,317	70,940

Note 22 Provisions

a) Non-current liabilities

	2022 $	2021 $
Make-good on leased premises	34,942	33,310

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at $43,500 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on January 2027 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities

	2022 $	2021 $
Provision for annual leave	27,852	26,637
Provision for long service leave	9,838	14,111
	37,690	40,748

b) Non-current liabilities

Provision for long service leave	4,061	1,456

c) Key judgement and assumptions

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

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

Note 24 Issued capital

a) Issued capital

	2022		2021	
	Number	$	Number	$
Ordinary shares - fully paid	430,440	430,440	430,440	430,440

Note 24 Issued capital *(continued)*

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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 258. As at the date of this report, the company had 286 shareholders (2021: 285 shareholders).

Note 24 Issued capital *(continued)*

Prohibited shareholding interest (continued)

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 25 Reserves

a) Nature and purpose of reserves

The fair value reserve comprises the cumulative net change in the fair value of equity securities designated at FVTOCI.

b) Disaggregation of reserve balances, net of tax

	Fair value reserve		Total other comprehensive income	
	2022 $	2021 $	2022 $	2021 $
Balance at beginning of reporting period	53,768	22,318	-	-
Fair value movement on equity instruments designated at FVTOCI	(46,174)	31,450	(46,174)	31,450
Balance at end of reporting period	7,594	53,768	(46,174)	31,450

Note 26 Retained earnings

	Note	2022 $	2021 $
Balance at beginning of reporting period		343,353	329,145
Net profit after tax from ordinary activities		42,994	42,187
Dividends provided for or paid	31a)	(27,979)	(27,979)
Balance at end of reporting period		358,368	343,353

Note 27 Reconciliation of cash flows from operating activities

	2022 $	2021 $
Net profit after tax from ordinary activities	42,994	42,187
Adjustments for:		
- Depreciation	20,419	21,421
- Amortisation	11,794	11,193
- Loss on disposal of managed investments	-	2,250
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(13,384)	4,079
- (Increase)/decrease in other assets	4,593	4,239
- Increase/(decrease) in trade and other payables	10,522	5,640
- Increase/(decrease) in employee benefits	(452)	(475)
- Increase/(decrease) in provisions	1,631	1,555
- Increase/(decrease) in tax liabilities	7,016	65
Net cash flows provided by operating activities	85,133	92,154

Note 28 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value level	
		2022 $ FVTOCI	2022 $ At amortised cost	2021 $ FVTOCI	2021 $ At amortised cost	2022 $ Level 1	2021 $ Level 1
Financial assets measured at fair value:							
Managed funds	14	342,612	-	385,040	-	342,612	385,040
Financial assets not measured at fair value:							
Trade and other receivables	15	-	65,680	-	52,004	-	-
Cash and cash	13	-	235,082	-	232,529	-	-
Term deposits	13	-	182,263	-	162,076	-	-
		-	483,025	-	446,609	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	20		64,541		32,947		
Lease liabilities	21		56,317		70,940		
		-	120,858	-	103,887	-	-

Valuation techniques and significant unobservable inputs

There were no Level 2 or Level 3 classifications held during the relevant financial years.

Transfers between Levels 1 and 2

There were no transfers between Level 1 and Level 2 during the financial year. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the financial year.

Note 29 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

Audit and review services	2022 $	2021 $
- Audit and review of financial statements	6,025	5,750

Note 30 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Alan Thomas McCartney
Robert John Byrne
Simone Victoria Annette Hutchings
Pamela Margaret Sandlant
Gary Ian Knight
Greg Walton
Christina Drummond
Catherine Jane Goninon

b) Key management personnel compensation

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.

c) Related party transactions

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

Transactions with related parties	2022 $	2021 $
- Director Catherine Goninon, as co-owner of Mountainside Wines, provided catering services for the company's Christmas function. Total benefit received (including GST) was:	-	585
- Company Secretary Lynne Dickman, as owner of El Dee Catering, provided catering services for the company's Christmas function. Total benefit received was:	-	728
Total transactions with related parties	-	1,313

Note 31 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2022		30 June 2021	
	Cents	$	Cents	$
Fully franked dividend	6.5	27,979	6.5	27,979

The tax rate at which dividends have been franked is 25% (2021: 26%).

Note 31 Dividends provided for or paid *(continued)*

b) Franking account balance

	2022 $	2021 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	193,502	193,888
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	4,040	9,444
- Franking debits from the payment of franked distributions	(9,326)	(9,830)
Franking account balance at the end of the financial year	188,216	193,502
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	7,081	(6,744)
Franking credits available for future reporting periods	195,297	186,758

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%.

Note 32 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2022 $	2021 $
Profit attributable to ordinary shareholders	42,994	42,187
	Number	Number
Weighted-average number of ordinary shares	430,440	430,440
	Cents	Cents
Basic and diluted earnings per share	9.99	9.80

Note 33 Commitments

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

Note 34 Contingencies

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

Note 35 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Directors' declaration

In accordance with a resolution of the directors of Beaufort Community Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are 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 performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

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

This declaration is made in accordance with a resolution of the board of directors.

Alan Thomas McCartney, Chair

Dated this 7 day of September 2022

CountPro AUDIT

Independent Auditor's Report
To the Directors of Beaufort Community Financial Services Limited

Opinion

We have audited the financial report of Beaufort Community Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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; 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determines 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 intends to liquidate the Company or to cease operations, or has 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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CountPro AUDIT

Independent Auditor's Report

To the Directors of Beaufort Community Financial Services Limited

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 management.

- Conclude on the appropriateness of the Director's 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 those charged with governance 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

CountPro Audit Pty Ltd ....

CountPro Audit Pty Ltd

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Jason D. Hargreaves
Director

Signed at Lucas
8th September 2022

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Bendigo Bank