Annual Report 2023

2023 Annual Report

Fassifern Valley Community Enterprises Ltd

Community Bank
Kalbar & District

ABN 38 138 533 810

Contents

Chairman's report

For year ending 30 June 2023

Contrary to tradition that thirteen is an unlucky number, Community Bank Kalbar & District has powered through its thirteenth year, making pleasing gains in community acceptance and becoming the preferred bank for business and individuals wishing to expand.

One of our advertisements stated recently, "We are close, not closed". This is a refreshing change as many rural centres suffer from shrinking financial services, forcing customers to bank electronically without encountering human interaction which can be so important in the stresses of modern living.

We are proud of our staff who live locally and are generally part of local community life. Our Community Bank is a leader in many facets of community banking, a position of which we can be very proud.

Once again, we have grown in our footings, which is a combination of loans and savings. The Manager's report shows closing footings for this year increased by $8,391,881 with 160 new customers which proves we must be doing something right! This is a pleasing situation even though the economic climate is difficult for clients due to generally increased interest rates charged across banking institutions. The district has also been a beneficiary of $361,500 in sponsorship to various organisations and individuals since our inception.

The large increase in families seeking country living conditions should ensure continuing growth for housing and businesses. A recent speaker at a seminar projected that the Harrisville area will grow in population by 100% over the next ten years. This situation is probably true of most of our area and is a sobering thought.

Elise continues to lead from the front with a great team of Clint, (part-time) Brooke, Amy, Jodie, Jasmin, Joanne, and Annabel filling part-time and full-time roles from the front counter to the processing of paperwork for individual loans. Another integral member of the team is Matt Cullen whose title is Senior Business Relations Manager, which means he oversees business banking over $200,000. We are very fortunate to have this cohesive team who work well together.

This year we have resumed the practice of attending the Community Bank National Conference held at Bendigo after a Covid layoff. Heather Wehl from our Board and Elise Payne attended and benefited from networking with many other like-minded staff. We think this is useful and will seek to continue this yearly attendance by various staff and Board members. Also, we have continued the policy of shorter opening hours (9.30am – 4.30pm) on a five-day week. Customers seem to have adapted to these changed conditions which brings us in line with other Bendigo Bank opening hours.

We continue to support local communities and events with significant funding from our Company's profits, even though we have ceased to receive MDF funds from Bendigo Bank due to our independent financial situation. We are also pleased to announce an 8% share dividend distribution for the year. This indicates that the business is strong and can contribute to the fabric of life in this town and district for years to come.

The Board continues to oversee the affairs of the Community Bank and we do take our responsibilities seriously. Paul FitzGerald and Mike Weekes are the main players in a congenial group which encompasses a large range of skills and abilities. Mike efficiently deals with significant regulatory responsibilities and Paul presents the financial details efficiently. Our organization appreciates their efforts and does not take them for granted.

I feel that shareholders and residents can be confident that your Community Bank will be an ongoing strength in a district which has a lot to offer, whether it be a lifestyle or business choice.

We wish everyone success with whatever enterprise or endeavour in which you may be involved.

David Roderick
Chairman

Manager's report

For year ending 30 June 2023

It is my pleasure to report on the financial year ending 30 June 2023 for Community Bank Kalbar & District.

As we review another year, it has become evident that change remains a constant in the banking industry. The evolving economic environment presented challenges, but also opportunities. As a branch we continued to deliver value to our customers by offering products and services that are convenient, uncomplicated, and relevant to their needs.

Connecting with our customers has been vital as we assisted with buffering the discomfort of rising interest rates and the pressure of increased cost of living. Our brand remains strong in an industry where many regional banks are closing. We're close, not closed! We have proudly welcomed 160 new customers to our branch this year, joining an established group of real people making a real difference just by doing their everyday banking with us.

Embedded in our purpose to feed into the prosperity of our customers and communities, not off it, we maintained our accountability to balance profit with purpose. Despite experiencing a decrease in our Lending Growth activity, I am pleased to advise our financial position remains strong as we once again report a profitable year. Across all business segments, our branch footings grew by $8.3 million as we assisted our customers meet and achieve their financial objectives. Our thorough management of risk and regulatory requirements has been key in our operational performance of the branch as we continually evaluate and measure efficiencies, compliance, productivity and best practices.

	June 2023	June 2022	YTD Growth
Deposits	$52,025,699	$44,219,863	+ $7,805,825
Loans	$52,625,989	$54,963,107	$-2,337,118
Other Business	$6,899,848	$3,976,684	+ $3,064,177
Closing Footings	111,551,536	$103,159,654	+ $8,391,881
Customer Numbers	1,712	1,552	+160

It gives me great delight to advise Fassifern Valley Community Enterprises Ltd have now returned over $361,500 back into our community. It's important to share our unique story – The Community Bank story. Our future success is reliant on the advocacy of sharing our story and your referrals to our branch, which remain invaluable. I challenge you, our shareholders and customers, to introduce your family, friends and broader connections to the Community Bank model being delivered in your Community Bank Kalbar & District. This will truly make a difference in the contributions we can make back to our community.

Our staffing levels and members remained consistent once again which has significantly contributed to the branch's overall success. They are a dedicated group of professional staff members who understand our offerings and want to support our customers with their challenges as well as celebrate their successes. I thank each member of our team for your impact to our business as you all continually demonstrate an extraordinary focus in providing an outstanding customer service to our community.

Branch Manager	Elise Payne
Branch Development Manager	Clint Stephens (Part time)
Customer Relationship Manager	Brooke Clark
Customer Relationship Officer	Joanne Kirkman
Customer Relationship Officer	Annabel Rose
Customer Service Officer	Jodie Vermeer
Customer Service Officer	Amy Muller
Customer Service Officer	Jasmin Kimber

In the last year the branch received a mini makeover that refreshed our brand signage and has brightened our street presence. As resident numbers continue to flourish within our community, we have an opportunity to share our purpose to a new market with the aim to provide awareness of our financial offerings, quality service and ultimately grow our footings.

I thank each of the Directors of the Board who volunteer their time to ensure the bank's ongoing success. Each Director plays a pivotal role by contributing and sharing individual experience, knowledge and relevant analysis which collaboratively enhances the Board's overall impact.

We recognise the essential role that a bank with purpose can play in our customers lives. We thank you, our customers and shareholders, for allowing us to create a positive impact in our community. We have built a trusted brand and have an authentic and genuine connection to our community. We are energised to continue to develop and deepen our partnerships, educate our customers and ultimately present everyday banking solutions that can save you money, make you money and protect your money.

Elise Payne
Branch Manager

Directors' report

For the financial year ended 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:

David John Roderick

Title:	Non-executive director
Experience and expertise:	David is a Dairy Farmer. David has worked at his family dairy farm in Harrisville for 45 years. He has been chair of a dairy group for 10 years and involved with the Lions group for 33 years, church admin for 35 years, the Kalbar Community Bank for 8 years, plus many other various local committees over the past 40 years.
Special responsibilities:	Chairman, Marketing Committee

Michael Graham Rashford

Title:	Non-executive director
Experience and expertise:	Michael is a retired Public Servant and a retired resident of Munbilla. He has had a successful career as a taxation officer for 19 years, followed then by post office owner for 19 years also. Michael has been involved with Lions Club Int for 28 years.
Special responsibilities:	Company Treasurer, Audit & Risk Committee, Marketing Committee

Michael Lloyd Weekes

Title:	Non-executive director
Experience and expertise:	Owned and operated farms for 39 years. Since moving to the Fassifern district has invested in properties for grazing and small crop production. Has served on a number of boards of community based organisations.
Special responsibilities:	Company Secretary

Wilson Beresford Neuendorf

Title:	Non-executive director
Experience and expertise:	Wilson has been a successful farmer in the district all his life and a Director of the family owned Neuendorf Farms until his retirement. Previously a Boonah Shire Councillor for 8 years, Wilson is currently Chair of the Boonah Arts Festival and the Templin Historical Village and the secretary at Kalbar Baptist church.
Special responsibilities:	Marketing Committee, Human Resources Committee

Heather Elizabeth Kliese

Title:	Non-executive director
Experience and expertise:	Heather has been an accountant in public practice for more than 15 years and has an accounting firm, with two other ladies. She holds a Bachelor of Business (Accounting), Diploma of Financial Planning and is a member of CPA Australia. Heather has grown up in the Fassifern Valley and enjoys community involvement in various organisations in her spare time.
Special responsibilities:	Finance Committee

Heather Helene Wehl

Title:	Non-executive director
Experience and expertise:	Heather is retired. Heather has a long experience in farming and small business. She has lived in the Bremer Valley for 38 years where she ran a mixed farming enterprise while running various small businesses concurrently, including food, fashion and spare parts retailing. Prior to retirement she served for 12 years as a local government Councillor and currently serves on a number of community committees.
Special responsibilities:	Marketing Committee, Human Resources Committee

Paul Damien FitzGerald

Title:	Non-executive director
Experience and expertise:	Retired public servant. Worked for Queensland rail for 34 years including as an industrial chemist for 15 years in the Scientific Services Unit based at Ipswich workshops and then for 19 years in various corporate environmental roles at head office in Brisbane. Paul holds a degree in Applied Chemistry and is a member of Harrisville Lions Club.
Special responsibilities:	Chair - Audit, Risk Management and Policy Committee

Murray Richard Roberts

Title:	Non-executive director
Experience and expertise:	Retired Accountant, Fellow of Institute of Public Accountants (retd). Director of Bizcom Services Qld P/l dealing in computerised accounting programs for 30 years. Founding Treasurer and Committee Member of the Fassifern Community Men's Shed Inc.
Special responsibilities:	Nil

Paul Anthony Cornwell

Title:	Non-executive director
Experience and expertise:	Paul has over 30 years experience in the business, marketing and communications industries. Managing Director of multi-national communications agencies in Brisbane, Sydney and Hong Kong. Senior Positions with Clemenger, The Campaign Palace, Mojo & McCann-Erikson. Co-owner and Director of BCM Group Australia. Extensive industry category experience in financial services (Suncorp, Heritage Bank, Sunsuper, Energy Super), FMCG, (Golden Circle, Capilano, Sunny Queen Farms, Bundaberg Brewed Drinks), Tertiary Education (QUT), Technology (Apple Computer), Government (Federal & State) communications. Was Past Chairman for Advertising Federation of Australia.
Special responsibilities:	Nil

Robert Paul Quodling

Title:	Non-executive director
Experience and expertise:	Experienced Business Analyst in Government and private sector. Member of Harrisville Lions Club. Committee of Harrisville School of Arts.
Special responsibilities:	Nil

Company secretary

The company secretary is Michael Weekes. Michael was appointed to the position of company secretary on 3 June 2017.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of this activity during the financial year.

Review of operations

The profit for the company after providing for income tax amounted to $281,383 (30 June 2022: $87,713).

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 $
Fully franked dividend of 8 cents per share	51,321

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

On the 12th of July 2023 the company paid an 8 cent fully franked dividend of $51,321 to shareholders. This dividend was recorded in equity and shown as a liability as at 30 June 2023.

No other 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
David John Roderick	11	10
Michael Graham Rashford	11	10
Michael Lloyd Weekes	11	11
Wilson Beresford Neuendorf	11	10
Heather Elizabeth Kliese	11	10
Heather Helene Wehl	11	10
Paul Damien FitzGerald	11	8
Murray Richard Roberts	11	10
Paul Anthony Cornwell	11	8
Robert Paul Quodling	11	8

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

Directors' benefits

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

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
David John Roderick	20,001	-	20,001
Michael Graham Rashford	2,000	-	2,000
Michael Lloyd Weekes	1,000	-	1,000
Wilson Beresford Neuendorf	1,000	-	1,000
Heather Elizabeth Kliese	2,000	-	2,000
Heather Helene Wehl	12,000	-	12,000
Paul Damien FitzGerald	1,000	-	1,000
Murray Richard Roberts	-	-	-
Paul Anthony Cornwell	-	-	-
Robert Paul Quodling	5,000	-	5,000

Indemnity and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Proceedings on behalf of the company

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

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

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Non-audit services

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

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- 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

David John Roderick
Chair

4 September 2023

Auditor’s independence declaration

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 Fassifern Valley Community Enterprises Limited

As lead auditor for the audit of Fassifern Valley Community Enterprises 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: 4 September 2023

Joshua Griffin
Lead Auditor

Financial statements

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	1,164,553	837,067
Other revenue		10,000	15,000
Finance revenue		19,776	5,248
Total revenue		**1,194,329**	**857,315**
Employee benefits expense	7	(612,438)	(525,800)
Advertising and marketing costs		(2,246)	(780)
Occupancy and associated costs		(15,908)	(20,754)
System costs		(18,963)	(20,627)
Depreciation and amortisation expense	7	(53,034)	(53,335)
Finance costs	7	(16,710)	(16,576)
General administration expenses		(72,074)	(77,910)
Total expenses before community contributions and income tax expense		**(791,373)**	**(715,782)**
Profit before community contributions and income tax expense	**7**	**402,956**	**141,533**
Charitable donations and sponsorships expense		(27,778)	(24,055)
Profit before income tax expense		**375,178**	**117,478**
Income tax expense	8	(93,795)	(29,765)
Profit after income tax expense for the year	**19**	**281,383**	**87,713**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**281,383**	**87,713**
		Cents	Cents
Basic earnings per share	27	43.86	13.67
Diluted earnings per share	27	43.86	13.67

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

Statement of financial position as at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	9	1,219,476	881,360
Trade and other receivables	10	95,450	75,226
Current tax assets	8	-	7,093
Total current assets		**1,314,926**	**963,679**
Non-current assets			
Property, plant and equipment	11	77,357	90,052
Right-of-use assets	12	288,004	314,186
Intangible assets	13	21,599	35,755
Deferred tax assets	8	27,493	19,085
Total non-current assets		**414,453**	**459,078**
Total assets		**1,729,379**	**1,422,757**
Liabilities			
Current liabilities			
Trade and other payables	14	128,323	117,604
Lease liabilities	15	17,394	15,674
Current tax liabilities	8	74,354	-
Employee benefits	16	42,937	28,656
Total current liabilities		**263,008**	**161,934**
Non-current liabilities			
Trade and other payables	14	-	14,798
Lease liabilities	15	297,005	314,401
Employee benefits	16	22,227	15,650
Lease make good provision	17	23,643	22,540
Total non-current liabilities		**342,875**	**367,389**
Total liabilities		**605,883**	**529,323**
Net assets		**1,123,496**	**893,434**
Equity			
Issued capital	18	611,271	611,271
Retained earnings	19	512,225	282,163
Total equity		**1,123,496**	**893,434**

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

Statement of changes in equity
for the year ended 30 June 2023

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2021		611,271	245,771	857,042
Profit after income tax expense		-	87,713	87,713
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		**-**	**87,713**	**87,713**
Transactions with owners in their capacity as owners:				
Dividends provided for	21	-	(51,321)	(51,321)
Balance at 30 June 2022		**611,271**	**282,163**	**893,434**
Balance at 1 July 2022		611,271	282,163	893,434
Profit after income tax expense		-	281,383	281,383
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		**-**	**281,383**	**281,383**
Transactions with owners in their capacity as owners:				
Dividends provided for	21	-	(51,321)	(51,321)
Balance at 30 June 2023		**611,271**	**512,225**	**1,123,496**

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

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)		1,289,898	920,153
Payments to suppliers and employees (inclusive of GST)		(842,473)	(731,061)
Interest received		7,503	5,248
Interest and other finance costs paid		(137)	(4)
Income taxes paid		(20,756)	(62,597)
Net cash provided by operating activities	**26**	**434,035**	**131,739**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(3,960)
Payments for intangible assets		(13,453)	(13,453)
Net cash used in investing activities		**(13,453)**	**(17,413)**
Cash flows from financing activities			
Dividends paid	21	(51,321)	(51,321)
Repayment of lease liabilities	15	(31,145)	(30,234)
Net cash used in financing activities		**(82,466)**	**(81,555)**
Net increase in cash and cash equivalents		338,116	32,771
Cash and cash equivalents at the beginning of the financial year		881,360	848,589
Cash and cash equivalents at the end of the financial year	**9**	**1,219,476**	**881,360**

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

Notes to the financial statements

For the year ended 30 June 2023

Note 1. Reporting entity

The financial statements cover Fassifern Valley Community Enterprises 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 Shop 3/103 George Street, Kalbar QLD 4309.

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 4 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.

Employee benefits provision

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

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

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

Lease make good provision

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

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in March 2025.

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 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	994,599	662,320
Fee income	59,543	56,279
Commission income	110,411	118,468
	1,164,553	**837,067**

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	491,016	431,162
Non-cash benefits	22,170	5,997
Superannuation contributions	51,783	44,790
Expenses related to long service leave	10,107	6,514
Other expenses	37,362	37,337
	612,438	**525,800**

Note 7. Expenses (continued)

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets		
Leasehold improvements	7,297	7,297
Plant and equipment	5,398	5,292
Motor vehicles	-	2,670
	12,695	**15,259**
Depreciation of right-of-use assets		
Leased land and buildings	**26,183**	**25,008**
Amortisation of intangible assets		
Franchise fee	2,359	2,178
Franchise renewal fee	11,797	10,890
	14,156	**13,068**
	53,034	**53,335**

Finance costs

	2023 $	2022 $
Lease interest expense	15,469	16,177
Unwinding of make-good provision	1,103	395
Other	138	4
	16,710	**16,576**

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

Leases recognition exemption

	2023 $	2022 $
Expenses relating to low-value leases	**7,045**	**8,838**

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.

Note 8. Income tax

	2023 $	2022 $
Income tax expense		
Current tax	102,203	36,407
Movement in deferred tax	(8,408)	(6,642)
Aggregate income tax expense	**93,795**	**29,765**
Prima facie income tax reconciliation		
Profit before income tax expense	**375,178**	**117,478**
Tax at the statutory tax rate of 25%	93,795	29,370
Tax effect of:		
Non-deductible expenses	-	395
Income tax expense	**93,795**	**29,765**

	2023 $	2022 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	70	(2,362)
Employee benefits	16,305	11,090
Provision for lease make good	5,911	5,635
Accrued expenses	1,676	750
Income accruals	(3,068)	-
Lease liabilities	78,600	82,519
Right-of-use assets	(72,001)	(78,547)
Deferred tax asset	**27,493**	**19,085**

	2023 $	2022 $
Income tax refund due	**-**	**7,093**

	2023 $	2022 $
Provision for income tax	**74,354**	**-**

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.

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.

Note 8. Income tax (continued)

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	900,996	255,061
Term deposits	318,480	626,299
	1,219,476	**881,360**

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	**72,620**	**70,510**
Other receivables and accruals	12,273	-
Prepayments	10,557	4,716
	22,830	**4,716**
	95,450	**75,226**

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.

Note 11. Property, plant and equipment

	2023 $	2022 $
Leasehold improvements - at cost	152,020	152,020
Less: Accumulated depreciation	(89,727)	(82,430)
	62,293	**69,590**
Plant and equipment - at cost	92,555	92,555
Less: Accumulated depreciation	(77,491)	(72,093)
	15,064	**20,462**
Motor vehicles - at cost	42,365	42,365
Less: Accumulated depreciation	(42,365)	(42,365)
	-	**-**
	77,357	**90,052**

Note 11. Property, plant and equipment (continued)

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 $	Motor vehicles $	Total $
Balance at 1 July 2021	76,887	21,794	2,670	101,351
Additions	-	3,960	-	3,960
Depreciation	(7,297)	(5,292)	(2,670)	(15,259)
Balance at 30 June 2022	**69,590**	**20,462**	**-**	**90,052**
Depreciation	(7,297)	(5,398)	-	(12,695)
Balance at 30 June 2023	**62,293**	**15,064**	**-**	**77,357**

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	15 years
Plant and equipment	5 to 40 years
Motor vehicles	5 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	389,211	389,210
Less: Accumulated depreciation	(101,207)	(75,024)
	288,004	**314,186**

Note 12. Right-of-use assets (continued)

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	325,107
Remeasurement adjustments	14,087
Depreciation expense	(25,008)
Balance at 30 June 2022	**314,186**
Depreciation expense	(26,183)
Balance at 30 June 2023	**288,003**

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	32,233	32,233
Less: Accumulated amortisation	(28,633)	(26,274)
	3,600	**5,959**
Franchise renewal fee	111,163	111,163
Less: Accumulated amortisation	(93,164)	(81,367)
	17,999	**29,796**
	21,599	**35,755**

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	8,137	40,686	48,823
Amortisation expense	(2,178)	(10,890)	(13,068)
Balance at 30 June 2022	**5,959**	**29,796**	**35,755**
Amortisation expense	(2,359)	(11,797)	(14,156)
Balance at 30 June 2023	**3,600**	**17,999**	**21,599**

Note 13. Intangible assets (continued)

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)	March 2025
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	March 2025

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		
Other payables and accruals	**128,323**	**117,604**
Non-current liabilities		
Other payables and accruals	**-**	**14,798**

Accounting policy for trade and other payables

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

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

Note 15. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	32,077	31,144
Unexpired interest	(14,683)	(15,470)
	17,394	**15,674**
Non-current liabilities		
Land and buildings lease liabilities	378,759	410,836
Unexpired interest	**(81,754)**	**(96,435)**
	297,005	**314,401**

Note 15. Lease liabilities (continued)

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	330,075	344,132
Lease interest expense	15,469	16,177
Lease payments - total cash outflow	(31,145)	(30,234)
	314,399	**330,075**

Maturity analysis

	2023 $	2022 $
Not later than 12 months	32,077	31,144
Between 12 months and 5 years	138,224	134,198
Greater than 5 years	240,535	276,638
	410,836	**441,980**

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.

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
Kalbar & District Branch	4.79%	5 years	2 x 5 years	Yes	July 2034

Note 16. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	36,766	23,867
Personal leave	6,171	4,789
	42,937	**28,656**
Non-current liabilities		
Long service leave	**22,227**	**15,650**

Accounting policy for employee benefits

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

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

Superannuation contributions

Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating personal leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Provision for personal leave is recognised under the Bendigo Bank Enterprise Agreement where employees are entitled to a portion of their personal leave to be paid out when their employment ends.

Other long-term employee benefits

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

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

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

Note 17. Lease make good provision

	2023 $	2022 $
Lease make good	**23,643**	**22,540**

Lease make good

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $40,000 for the Kalbar Branch lease, based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as the cost to remedy any damages caused during the removal process.

Accounting policy for provisions

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

Note 18. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	641,510	641,510	641,510	641,510
Less: Equity raising costs	-	-	(30,239)	(30,239)
	641,510	**641,510**	**611,271**	**611,271**

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 18. Issued capital (continued)

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 202. As at the date of this report, the company had 223 shareholders (2022: 223 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 19. Retained earnings

	2023 $	2022 $
Retained earnings at the beginning of the financial year	282,163	245,771
Profit after income tax expense for the year	281,383	87,713
Dividends paid (note 21)	(51,321)	(51,321)
Retained earnings at the end of the financial year	**512,225**	**282,163**

Note 20. Capital management

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

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

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Note 20. Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 21. Dividends

Dividends paid during the period

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

	2023 $	2022 $
Fully franked dividend of 8 cents per share (2022: 8 cents)	**51,321**	**51,321**

Dividends provided for during the period

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

	2023 $	2022 $
Fully franked dividend of 8 cents per share (2022: 8 cents)	**51,321**	**51,321**

Franking credits

	2023 $	2022 $
Franking account balance at the beginning of the financial year	235,968	207,584
Franking credits (debits) arising from income taxes paid (refunded)	20,755	62,598
Franking debits from the payment of franked distributions	(17,107)	(34,214)
	239,616	**235,968**
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	239,616	235,968
Franking credits (debits) that will arise from payment (refund) of income tax	74,354	(7,093)
Franking credits available for future reporting periods	**313,970**	**228,875**

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

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

A liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at the reporting date.

Note 22. Financial instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	84,893	70,510
Cash and cash equivalents	1,219,476	881,360
	1,304,369	**951,870**
Financial liabilities		
Trade and other payables	128,323	132,402
Lease liabilities	314,399	330,075
	442,722	**462,477**

Accounting policy for financial instruments

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

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

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

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

Financial risk management

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

Market risk

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

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 $1,219,476 at 30 June 2023 (2022: $881,360).

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.

Note 22. Financial instruments (continued)

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.

	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
2023				
Trade and other payables	128,323	-	-	128,323
Lease liabilities	32,077	138,224	240,535	410,836
Total non-derivatives	**160,400**	**138,224**	**240,535**	**539,159**

	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
2022				
Trade and other payables	117,604	14,798	-	132,402
Lease liabilities	31,144	134,198	276,638	441,980
Total non-derivatives	**148,748**	**148,996**	**276,638**	**574,382**

Note 23. Key management personnel disclosures

The following persons were directors of Fassifern Valley Community Enterprises Limited during the financial year and/or up to the date of signing of these Financial Statements.

David John Roderick	Heather Helene Wehl
Michael Graham Rashford	Paul Damien FitzGerald
Michael Lloyd Weekes	Murray Richard Roberts
Wilson Beresford Neuendorf	Paul Anthony Cornwell
Heather Elizabeth Kliese	Robert Paul Quodling

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

Note 24. Related party transactions

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

Note 25. Remuneration of auditors

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

	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	3,860	3,270
Share registry services	4,467	3,587
	8,987	**7,457**
	14,387	**12,657**

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

	2023 $	2022 $
Profit after income tax expense for the year	281,383	87,713
Adjustments for:		
Depreciation and amortisation	53,034	53,335
Lease liabilities interest	15,469	16,177
Change in operating assets and liabilities:		
Increase in trade and other receivables	(20,224)	(17,024)
Decrease/(increase) in income tax refund due	7,093	(7,093)
Increase in deferred tax assets	(8,408)	(6,641)
Increase in trade and other payables	9,373	17,146
Increase/(decrease) in provision for income tax	74,354	(19,098)
Increase in employee benefits	20,858	6,829
Increase in other provisions	1,103	395
Net cash provided by operating activities	**434,035**	**131,739**

Note 27. Earnings per share

	2023 $	2022 $
Profit after income tax	**281,383**	**87,713**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	641,510	641,510
Weighted average number of ordinary shares used in calculating diluted earnings per share	**641,510**	**641,510**

	Cents	Cents
Basic earnings per share	43.86	13.67
Diluted earnings per share	43.86	13.67

Note 27. Earnings per share (continued)

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Fassifern Valley Community Enterprises Limited by the weighted average number of ordinary shares outstanding during the financial year.

Note 28. Commitments

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

Note 29. Contingencies

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

Note 30. Events after the reporting period

On the 12th of July 2023 the company paid an 8 cent fully franked dividend of $51,321 to shareholders. This dividend was recorded in equity and shown as a liability as at 30 June 2023.

No other 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.

Directors' declaration

For the financial year ended 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

David John Roderick
Chair

4 September 2023

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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Independent auditor's report to the Directors of Fassifern Valley Community Enterprises Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Fassifern Valley Community Enterprises 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 Fassifern Valley Community Enterprises 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
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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: 4 September 2023

Joshua Griffin
Lead Auditor

afsbendigo.com.au

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Bendigo Bank