# Fleurieu Community Enterprises Ltd

ABN: 72 116 550 157

## Annual Report

For the year ended
30 June 2022

# Fleurieu Community Enterprises Limited - Manager Report 2021/2022 FY

In what has continued to be a challenging year adjusting to life with COVID 19, I am pleased to have been appointed the leader of the Fleurieu when the role became vacant late last year. I am also pleased to report Fleurieu Community Enterprises experienced significant growth for the 2021/2022 financial year.

Like most industries, the banking industry has experienced uncertainty with the impact of the pandemic, however the total branches business increased by $28,908,901 for the financial year, taking the total business held as of 30 June 2022 to $294,375,901

The below table provides a breakdown of the branch's performance as of 30 June 2022.

| Products | Opening Balance – July 2021 | Closing Balance – June 2022 |
|---|---|---|
| Contingent Liabilities | $394,521 | $96,507 |
| BEN Deposits | $142,197,724 | $165,520,019 |
| BEN Loans | $101,319,358 | $100,309,142 |
| Rural Bank Deposits | $842,941 | $1,709,811 |
| Rural Bank Lending | $7,748,665 | $13,466,426 |
| Financial Planning | Nil | Nil |
| Wealth | $1,665,925 | $1,298,267 |
| Other Business | $11,297,865 | $11,975,728 |
| **Total** | **$265,467,000** | **$294,375,901** |

Despite low interest rates we can see great growth in our BEN deposits as well as our Rural Bank Deposits and Rural Bank Lending products. This result highlights the dedication of the team as well as our Rural Bank Relationship Manager.

Our branches staffing has experienced some changes this year, with the appointment of myself as well as some other staff resignations and new staff appointments. With a committed team of locals working and driving our business, we continue to share the community story and our point of difference with more people in the Fleurieu. With a lot of the major Banks closing their doors we are becoming the bank of choice across the Fleurieu.

I would like to acknowledge and thank the Fleurieu team who work diligently and with great commitment to ensure the branches are a success for the growth and prosperity of the broader community

The total level of community investment from the Fleurieu Community Banks is now over $658,000, we remain focused on supporting our customers, and growing our business to continue to give back to our local communities.

We are appreciative of the support we receive from our shareholders, customers, and our Board of Directors for this allows us to grow and be a sustainable community business.

Julie Zeitinger

Fleurieu Business and Community Manager

# Fleurieu Community Enterprises Ltd - 2021-22

## Chair's Report

The year has seen the continued challenges of historically low interest rates and profitable trading has been difficult. The only solution was to secure scale which was the rationale behind our merger, and the acquisition of Victor Harbor from Bendigo & Adelaide Bank, in the previous year. This strategic direction has ensured our survival in difficult times. As a merged Fleurieu wide Community Bank we have seen good growth in our customers to just under 7,000 and almost touching $300M in total deposits and loans.

Of course, if we operated out of one location we would be very profitable, but that does not retain local banking in our various communities and is a main point of difference to our competitors who continue to leave and contract services.

Our new Senior Manager, Julie Zeitinger, who joined us in November, has also had great success bringing the team across the Fleurieu together and increasing the capabilities of our staff. The growth of our customers and footings (deposits and loans) is extremely encouraging as has been the profitable trading we had in the last few months of the year.

The most significant change is an item which is out of our control, being the economic environment. Interest rates, having fallen for 12 years, impact the interest margin we earn. Our main income comes from the 50% shared interest margin with our franchisor Bendigo & Adelaide Bank. At last, we have seen a spark of light with the last two months of the financial year seeing steady profits returning to our business. Given the outlook for 2022/23 is for interest rates to rise further we are very well positioned to see a financially sustainable business for the next few years.

The past year has also seen us bed down the combined business on the Fleurieu including the acquired Bendigo corporate business in Victor Harbor. The new business hub location has proven to be popular being co-located with Eckermann Conveyancers and Planted Coffee House. We have seen a 10% growth in the Victor Harbor business as the site, along with our Community proposition, is promoted. Our meeting rooms and Board Room are in demand from local businesses, and individuals wanting a private meeting facility. These are available to not for profit organisations free of charge as part of our Community Investment model. The Board are keen to replicate this approach elsewhere across the Fleurieu, as the opportunity arises, and takes our physical presence to much more than a banking and transaction site.

This provides a good foundation for our investment into cementing our position in the Community and the Board are confident this year will be profitable and rewarding. The most exciting change this year is the return of community activities, post pandemic, where we can support and tell our story, leading to more growth and lets us build a financially sustainable business where we can start rewarding our patient shareholders.

My thanks go out to our local shareholders, whose vision founded our Community Bank, and to our voluntary Directors, Ambassadors, customers and of course our staff.

Ron Logan
Chair
Fleurieu Community Enterprises Ltd

# Fleurieu Community Enterprises Ltd
# Directors' report
# 30 June 2022

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

**Directors**

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

| | |
|---|---|
| Name: | Ronald Leslie Logan |
| Title: | Chair |
| Experience and expertise: | Employed previously as a senior executive and Director with HSBC, CBA, Colonial and TSB (UK). Has worked in the UK, Australia, China, Vietnam and the Philippines. Now resident in Sellicks Hill and operates an aviation and private investment company. |
| Special responsibilities: | Chairman. Member of Finance subcommittee. |

| | |
|---|---|
| Name: | Charles Dominic Rodney Manning |
| Title: | Non-executive director |
| Experience and expertise: | Owner of Face the World, a Management Consulting firm, He has worked of 20 years coaching/developing Executive Leadership teams with many major corporations and government departments. He is a corporate team coach and facilitator, developer of leaders and managers, helps people to deal with change and plan their lives. Holds a Masters in Applied Science (RMIT), worked for four years in the Commonwealth Dept of Finance and 10 years in the Dept of Defence. |
| Special responsibilities: | Member of Community Investment subcommittee. |

| | |
|---|---|
| Name: | Marissa Anne Harvey |
| Title: | Non-executive director |
| Experience and expertise: | Diploma of Accounting & Financial Planning and member of Association of Accounting Technicians. Owner of DataBooks a bookkeeping and business advisory firm. Volunteer of a local sporting club and past volunteer of Fred's Van. |
| Special responsibilities: | Treasurer. Chair of Finance subcommittee. |

| | |
|---|---|
| Name: | Emily Catherine Livingston |
| Title: | Non-executive director |
| Experience and expertise: | Bachelor of Law and Bachelor of Environmental Policy and Management from University of Adelaide. Graduate Diploma of Legal Practice. Full-time Graduate Solicitor at Southern Coast Legal. |
| Special responsibilities: | Secretary. Member of Community Investment subcommittee, Member of Nominations and Remuneration and Risk subcommittee. |

| | |
|---|---|
| Name: | Robert Joe Vanderkamp |
| Title: | Non-executive director |
| Experience and expertise: | Senior management role in marine and automotive private companies, and Director of private companies. |
| Special responsibilities: | Nil. |

| | |
|---|---|
| Name: | Moira Fay Jenkins |
| Title: | Non-executive director |
| Experience and expertise: | M.Psych, Grad Dip Conflict Management, PhD. Owner of Aboto Pty ltd, a Conflict Management Consulting firm. Specialising in Conflict Management Coaching, facilitation of workshops addressing workplace conflicts, working with high conflict people and leadership development. Mayor, City of Victor Harbor. Board member of ARAS - 'Aged Rights Advocacy Service'. |
| Special responsibilities: | Member of Community Investment subcommittee |

| | |
|---|---|
| Name: | Alison Patricia Hancock |
| Title: | Non-executive director |
| Experience and expertise: | An experienced and results oriented executive with a commercially astute and pragmatic approach across both public and private industry sectors. She has been a leader of multi-disciplinary teams across a range of corporate and business functions to achieve alignment of strategic and operational goals. Qualifications held in Bachelor of Laws and Legal Practice (LLB), Member of the Australian Institute of Company Directors, the Law Society and Women on Boards. |
| Special responsibilities: | Member of the Risk and Governance subcommittee. |

| | |
|---|---|
| Name: | Barry Kym McHugh |
| Title: | Non-executive director |
| Experience and expertise: | Presiding member and / or member of many Local Government / State Government and National Bodies and committees. Former Mayor of Alexandrina Council for 19.5 years. |
| Special responsibilities: | Nil. |

| | |
|---|---|
| Name: | Joshua David Lee |
| Title: | Non-executive director (appointed 23 February 2022) |
| Experience and expertise: | Head of Product for software company Honeywell Sine where he facilitates the intersection of Business objectives, Market needs and Development effort. Josh has worked in software for over 10 years and previously ran his own design studio after returning to Adelaide from living overseas. He is a founding board member - Kiwanis Club of the Fleurieu, which he helped setup to run The Mad Dash - a not for profit community event - for which he is also a member of the organising committee. Josh is a graduate of the Fleurieu Future Leaders Program. |
| Special responsibilities: | Nil. |

| | |
|---|---|
| Name: | Lauren McKee |
| Title: | Non-executive director (resigned 4 November 2021) |
| Experience and expertise: | Bachelor of Business (Administrative Management), Graduate and Member of Australian Institute of Company Directors, Secretary of Alexandrina Connect Inc, career in operations and business management. |
| Special responsibilities: | Chair of Community Investment subcommittee, Member of Finance subcommittee. |

| | |
|---|---|
| Name: | Carol Gaston |
| Title: | Non-executive Director (resigned 4 November 2021) |
| Experience and expertise: | B App Sc, B Ed (Admin), Grad Dip Env Studies, FAICD, retired Director ECH, retired Director ACHA, provision Audit & Risk Committee, provision of health services and planning consultation at state, national and international level. |
| Special responsibilities: | Chair of Nominations and Remuneration and Risk subcommittee. |

| | |
|---|---|
| Name: | Karyn Joy Thomas |
| Title: | Non-executive Director (resigned 4 November 2021) |
| Experience and expertise: | Graduate member of Australian Institute of Company Directors (GAICD), Masters of Business Administration (MBA) with University of Adelaide, Bachelor of Information Technology (Business Computing and HR Mgmt), Design Thinking & Creativity in Business at INSEAD, Green Belt Lean Six Sigma. An experienced management professional with twenty-five years' experience in business & strategic management, software development and operations, product development and innovation. Has entrepreneurship experience with a global software scaleup in Canada and as director and owner of the Asia Pacific distributor. Currently working at Space Machines Company as Director Business Services. A past Tour Down Under Coordinator for Willunga Business & Tourism Association. |
| Special responsibilities: | Member of Nominations and Remuneration and Risk subcommittee. |

**Company secretary**
The Company secretary is Emily Livingston. Emily was appointed to the position of Company secretary on 5 October 2020.

# Fleurieu Community Enterprises Ltd
# Directors' report
# 30 June 2022

### 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 loss for the company after providing for income tax amounted to $33,388 (30 June 2021: $69,597).

Operations have continued to perform in line with expectations.

### Significant changes in the state of affairs
During the reporting period the company deregistered its wholly owned subsidiary, AlexInvest Community Services Limited. As a result the financial statements are not longer prepared on a consolidation basis.

There were no other significant changes in the state of affairs of the company during the financial year.

### Matters subsequent to the end of the financial year
Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 2.00 basis points moving from 0.85% at 30 June 2022 to 2.85% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

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

### 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 (including meetings of committees of directors') attended by each of the directors' of the company during the financial year were:

| | Board | |
|---|---|---|
| | Eligible | Attended |
| Ronald Leslie Logan | 10 | 9 |
| Charles Dominic Rodney Manning | 10 | 8 |
| Marissa Harvey | 10 | 8 |
| Emily Livingston | 10 | 10 |
| Robert Vanderkamp | 10 | 5 |
| Alison Hancock | 10 | 7 |
| Moira Fay Jenkins | 5 | 5 |
| Joshua David Lee | 5 | 5 |
| Barry Kym McHugh | 9 | 5 |
| Lauren McKee | 3 | 2 |
| Carol Gaston | 3 | 1 |
| Karyn Joy Thomas | - | - |

### 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 26 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

**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 |
|---|---|---|---|
| Ronald Leslie Logan | 10,000 | - | 10,000 |
| Charles Dominic Rodney Manning | - | - | - |
| Marissa Harvey | - | - | - |
| Emily Livington | - | - | - |
| Robert Vanderkamp | 29,167 | - | 29,167 |
| Alison Hancock | - | - | - |
| Moira Fay Jenkins | - | - | - |
| Joshua David Lee | - | - | - |
| Kym McHugh | 1,667 | - | 1,667 |
| Lauren McKee | - | - | - |
| Carol Gaston | 7,000 | - | 7,000 |
| Karyn Joy Thomas | 3,000 | - | 3,000 |

**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, 2021: Accru Harris Orchard) for audit and non-audit services provided during the year are set out in note 27 to the accounts.

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

- all non-audit services have been reviewed by the Board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

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

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

On behalf of the directors

Ronald Leslie Logan
Chair

3 November 2022

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

# Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Fleurieu Community Enterprises Ltd

As lead auditor for the audit of Fleurieu Community Enterprises Ltd for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, Vic, 3550
Dated: 3 November 2022

**Joshua Griffin**
**Lead Auditor**

## Fleurieu Community Enterprises Ltd
## Statement of profit or loss and other comprehensive income
## For the year ended 30 June 2022

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| Revenue from contracts with customers | 6 | 1,254,025 | 906,415 |
| Other revenue | 7 | 82,563 | 142,949 |
| Finance revenue | | 32 | 640 |
| Employee benefits expense | 8 | (802,420) | (617,976) |
| Advertising and marketing costs | | (4,896) | (8,791) |
| Occupancy and associated costs | | (61,077) | (40,202) |
| System costs | | (64,070) | (56,423) |
| Depreciation and amortisation expense | 8 | (226,801) | (164,182) |
| Finance costs | 8 | (27,995) | (24,622) |
| General administration expenses | | (161,044) | (177,522) |
| **Loss before community contributions and income tax benefit** | | (11,683) | (39,714) |
| Charitable donations and sponsorships expense | | (24,153) | (43,424) |
| **Loss before income tax benefit** | | (35,836) | (83,138) |
| Income tax benefit | 9 | 2,448 | 13,541 |
| **Loss after income tax benefit for the year** | 21 | (33,388) | (69,597) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | (33,388) | (69,597) |
| | | **Cents** | **Cents** |
| Basic earnings per share | 29 | (3.64) | (7.58) |
| Diluted earnings per share | 29 | (3.64) | (7.58) |

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

# Fleurieu Community Enterprises Ltd
# Statement of financial position
# As at 30 June 2022

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 99,472 | 209,890 |
| Trade and other receivables | 11 | 159,509 | 103,899 |
| Total current assets | | 258,981 | 313,789 |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 196,726 | 207,684 |
| Right-of-use assets | 13 | 512,480 | 646,630 |
| Intangibles | 14 | 339,928 | 383,969 |
| Deferred tax assets | 9 | 419,939 | 417,491 |
| Total non-current assets | | 1,469,073 | 1,655,774 |
| **Total assets** | | 1,728,054 | 1,969,563 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 107,184 | 102,677 |
| Borrowings | 16 | 60,372 | 60,372 |
| Lease liabilities | 17 | 138,250 | 128,285 |
| Employee benefits | 18 | 60,757 | 63,163 |
| Total current liabilities | | 366,563 | 354,497 |
| **Non-current liabilities** | | | |
| Trade and other payables | 15 | 48,050 | 77,673 |
| Borrowings | 16 | 389,578 | 449,590 |
| Lease liabilities | 17 | 448,504 | 588,024 |
| Employee benefits | 18 | 16,136 | 10,237 |
| Provisions | 19 | 81,189 | 78,120 |
| Total non-current liabilities | | 983,457 | 1,203,644 |
| **Total liabilities** | | 1,350,020 | 1,558,141 |
| **Net assets** | | 378,034 | 411,422 |
| **Equity** | | | |
| Issued capital | 20 | 842,339 | 842,339 |
| Accumulated losses | 21 | (464,305) | (430,917) |
| **Total equity** | | 378,034 | 411,422 |

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

**Fleurieu Community Enterprises Ltd**
**Statement of changes in equity**
**For the year ended 30 June 2022**

| | Note | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2020** | | 724,815 | (303,335) | 421,480 |
| Profit after income tax expense | | - | (69,597) | (69,597) |
| Other comprehensive income, net of tax | | - | - | - |
| Total comprehensive income | | - | (69,597) | (69,597) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Shares issued during period | | 117,524 | - | 117,524 |
| Dividends provided for or paid | 23 | - | (57,985) | (57,985) |
| **Balance at 30 June 2021** | | 842,339 | (430,917) | 411,422 |

| | Note | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2021** | | 842,339 | (430,917) | 411,422 |
| Profit after income tax expense | | - | (33,388) | (33,388) |
| Other comprehensive income, net of tax | | - | - | - |
| Total comprehensive income | | - | (33,388) | (33,388) |
| **Balance at 30 June 2022** | | 842,339 | (464,305) | 378,034 |

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

# Fleurieu Community Enterprises Ltd
# Statement of cash flows
# For the year ended 30 June 2022

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 1,413,612 | 1,297,013 |
| Payments to suppliers and employees (inclusive of GST) | | (1,235,515) | (1,127,128) |
| | | 178,097 | 169,885 |
| Interest received | | - | 882 |
| Interest and other finance costs paid | | - | (1,150) |
| Net cash provided by operating activities | 28 | 178,097 | 169,617 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 12 | (44,067) | (7,438) |
| Payments for intangibles | | (26,930) | (107,855) |
| Net cash used in investing activities | | (70,997) | (115,293) |
| **Cash flows from financing activities** | | | |
| Repayment of lease liabilities | 17 | (157,506) | (122,592) |
| Proceeds from bank loans | | - | 550,000 |
| Dividends paid | 23 | - | (57,985) |
| Repayment of borrowings | | (60,012) | (457,110) |
| Net cash used in financing activities | | (217,518) | (87,687) |
| Net decrease in cash and cash equivalents | | (110,418) | (33,363) |
| Cash and cash equivalents at the beginning of the financial year | | 209,890 | 243,253 |
| Cash and cash equivalents at the end of the financial year | 10 | 99,472 | 209,890 |

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

## Note 1. Reporting entity

The financial statements cover Fleurieu Community Enterprises Ltd and its subsidiarity. The subsidiary was deregistered in December 2021 and as such the financial report is presented as an individual entity (the company). The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Shop 32, Aldinga Central Shopping Centre, 1 Pridham Boulevard, Aldninga Beach South Australia 5173.

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 3 November 2022. The directors have the power to amend and reissue the financial statements.

## Note 2. Basis of preparation and statement of compliance

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

*Going concern*
The financial statements for the financial year end 30 June 2022 have been prepared on the basis that the company is a going concern and it would continue its operations for a foreseeable future.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. As disclosed in the financial statements, the company's financial position is as follows:

| | 2022<br>$ | 2021<br>$ | Change<br>$ | Change<br>% |
|---|---|---|---|---|
| Current assets | 258,981 | 313,789 | (54,808) | (17%) |
| Current liabilities | (366,563) | (354,497) | (12,066) | 3% |
| Working capital (deficiency) | (107,582) | (40,708) | (66,874) | 164% |

| | 2022<br>$ | 2021<br>$ | Change<br>$ | Change<br>% |
|---|---|---|---|---|
| Total assets | 1,728,054 | 1,969,563 | (241,509) | (12%) |
| Total liabilities | (1,350,020) | (1,558,141) | 208,121 | (13%) |
| Net assets/(liabilities) | 378,034 | 411,422 | (33,388) | (8%) |
| Accumulated losses | (464,305) | (430,917) | (33,388) | 8% |
| Profit/(loss) before tax | (35,836) | (83,138) | 47,302 | (57%) |
| Profit/(loss) after tax | (33,388) | (69,597) | 36,209 | (52%) |
| Total comprehensive income | (33,388) | (69,597) | 36,209 | (52%) |
| Operating cash inflows (outflows) | 178,097 | 169,617 | 8,480 | 5% |
| Cash and cash equivalents | 99,472 | 209,890 | (110,418) | (53%) |

The company has an overdraft facility that they can draw upon if required. The overdraft has an approved limit of $100,000 and was drawn not drawn upon as at 30 June 2022.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

**Note 2. Basis of preparation and statement of compliance (continued)**

The current economic environment is difficult and while revenue has increased the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, the company recorded a working capital deficiency at 30 June 2022.

The directors have concluded that the combination of the circumstances above casts a level of doubt upon the company's ability to continue as a going concern.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual 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 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

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

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

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

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

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

**Note 3. Significant accounting policies (continued)**

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

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

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

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

**Note 4. Critical accounting judgements, estimates and assumptions**

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

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

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

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

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

**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.

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.

**Note 5. Economic dependency (continued)**

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

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:
- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

**Note 6. Revenue from contracts with customers**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Margin income | 894,143 | 655,884 |
| Fee income | 86,008 | 70,001 |
| Commission income | 273,874 | 180,530 |
| Revenue from contracts with customers | 1,254,025 | 906,415 |

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. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

**Note 6. Revenue from contracts with customers (continued)**

*Margin*
Margin is arrived at through the following calculation:

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

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

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

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

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

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

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

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

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

**Note 7. Other revenue**

| | 2022<br>$ | 2021<br>$ |
|---|---:|---:|
| Market development fund | 73,958 | 85,937 |
| Cash flow boost | - | 39,763 |
| Rental income | 8,217 | 703 |
| Other income | 388 | 16,546 |
| Other revenue | 82,563 | 142,949 |

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.

**Note 7. Other revenue (continued)**

| Revenue stream | Revenue recognition policy |
|---|---|
| Discretionary financial contributions (also "Market development fund" or "MDF" income) | MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end. |
| 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. |
| Rental income | Rental income from owned investment properties, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount. |

All revenue is stated net of the amount of GST.

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

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

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

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

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

## Note 8. Expenses

### Depreciation and amortisation expense

| | 2022 $ | 2021 $ |
|---|---|---|
| *Depreciation of non-current assets* | | |
| Buildings | 11,724 | 3,773 |
| Leasehold improvements | 39,566 | 35,734 |
| Plant and equipment | 1,361 | 1,028 |
| Furniture and fittings | 2,373 | 1,899 |
| | 55,024 | 42,434 |
| *Depreciation of right-of-use assets* | | |
| Leased land and buildings | 127,736 | 101,128 |
| *Amortisation of intangible assets* | | |
| Franchise fee | 4,005 | 2,451 |
| Franchise establishment fee | 7,036 | 1,759 |
| Franchise renewal fee | 15,000 | 11,910 |
| Domiciled agency or branch business | 18,000 | 4,500 |
| | 44,041 | 20,620 |
| | 226,801 | 164,182 |

### Finance costs

| | 2022 $ | 2021 $ |
|---|---|---|
| Bank loan interest paid or accrued | - | 1,150 |
| Lease interest expense | 24,927 | 20,750 |
| Unwinding of make-good provision | 3,068 | 2,722 |
| | 27,995 | 24,622 |

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

### Employee benefits expense

| | 2022 $ | 2021 $ |
|---|---|---|
| Wages and salaries | 699,514 | 551,061 |
| Superannuation contributions | 64,973 | 49,303 |
| Expenses related to long service leave | 8,916 | (4,638) |
| Other expenses | 29,017 | 22,250 |
| | 802,420 | 617,976 |

### Leases recognition exemption

| | 2022 $ | 2021 $ |
|---|---|---|
| Expenses relating to low-value leases | 29,238 | 25,844 |
| Expenses relating to short-term leases | 4,167 | 3,978 |
| | 33,405 | 29,822 |

**Note 8. Expenses (continued)**

The company pays for the right to use Willunga Service Access. The lease agreement is expired and continues on existing terms on a month-by-month basis with no significant penalty for termination. As such the lease has been assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated cost expenses.

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

**Note 9. Income tax**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Income tax benefit* | | |
| Movement in deferred tax | (12,954) | (6,024) |
| Recoupment of prior year tax losses | 10,506 | - |
| Future income tax benefit attributable to losses | - | (24,217) |
| Adjustment to deferred tax to reflect reduction in tax rate in future periods | - | 16,700 |
| Aggregate income tax benefit | (2,448) | (13,541) |
| *Prima facie income tax reconciliation* | | |
| Loss before income tax benefit | (35,836) | (83,138) |
| Tax at the statutory tax rate of 25% (2021: 26%) | (8,959) | (21,616) |
| Tax effect of: | | |
| Non-deductible expenses | 6,511 | 1,713 |
| Non-assessable income | - | (10,338) |
| Adjustment to deferred tax to reflect reduction in tax rate in future periods | - | 16,700 |
| Income tax benefit | (2,448) | (13,541) |

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Deferred tax assets/(liabilities)* | | |
| Property, plant and equipment | 13,609 | 2,375 |
| Employee benefits | 19,223 | 18,350 |
| Make-good provision | 20,297 | 19,530 |
| Accrued expenses | - | 1,060 |
| Carried-forward tax losses | 348,258 | 358,763 |
| Income accruals | (16) | (8) |
| Lease liabilities | 146,688 | 179,078 |
| Right-of-use assets | (128,120) | (161,657) |
| Deferred tax asset | 419,939 | 417,491 |

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

**Note 9. Income tax (continued)**

*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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

**Note 10. Cash and cash equivalents**

| | 2022 $ | 2021 $ |
|---|---|---|
| Cash at bank and on hand | 21,096 | 131,652 |
| Term deposits | 78,376 | 78,238 |
| | 99,472 | 209,890 |

*Accounting policy for cash and cash equivalents*
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

**Note 11. Trade and other receivables**

| | 2022 $ | 2021 $ |
|---|---|---|
| Trade receivables | 136,549 | 91,557 |
| Accrued income | 64 | 32 |
| Prepayments | 22,896 | 12,310 |
| | 22,960 | 12,342 |
| | 159,509 | 103,899 |

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

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

**Note 12. Property, plant and equipment**

| | 2022 $ | 2021 $ |
|---|---|---|
| Buildings - at cost | 93,795 | 93,795 |
| Less: Accumulated depreciation | (13,683) | (1,959) |
| | 80,112 | 91,836 |
| Leasehold improvements - at cost | 248,610 | 206,269 |
| Less: Accumulated depreciation | (143,858) | (104,292) |
| | 104,752 | 101,977 |
| Plant and equipment - at cost | 50,429 | 48,704 |
| Less: Accumulated depreciation | (47,448) | (46,087) |
| | 2,981 | 2,617 |
| Fixtures and fittings - at cost | 12,441 | 12,441 |
| Less: Accumulated depreciation | (3,560) | (1,187) |
| | 8,881 | 11,254 |
| | 196,726 | 207,684 |

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

| | Buildings $ | Leasehold improvements $ | Plant and equipment $ | Furniture and fittings $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 July 2020 | 95,609 | 128,767 | 3,645 | 7,436 | 235,457 |
| Additions | - | 8,944 | - | 5,717 | 14,661 |
| Depreciation | (3,773) | (35,734) | (1,028) | (1,899) | (42,434) |
| Balance at 30 June 2021 | 91,836 | 101,977 | 2,617 | 11,254 | 207,684 |
| Additions | - | 42,341 | 1,725 | - | 44,066 |
| Depreciation | (11,724) | (39,566) | (1,361) | (2,373) | (55,024) |
| Balance at 30 June 2022 | 80,112 | 104,752 | 2,981 | 8,881 | 196,726 |

*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:

| | |
|---|---|
| Building | 8 years |
| Leasehold improvements | 5 to 10 years |
| Plant and equipment | 5 years |
| Furniture, fixtures and fittings | 5 years |

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

**Note 12. Property, plant and equipment (continued)**

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 13. Right-of-use assets**

| | **2022 $** | **2021 $** |
|---|---|---|
| Land and buildings - right-of-use | 1,039,394 | 1,045,808 |
| Less: Accumulated depreciation | (526,914) | (399,178) |
| | 512,480 | 646,630 |

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

| | Land and buildings $ |
|---|---|
| Balance at 1 July 2020 | 72,629 |
| Additions | 283,043 |
| Remeasurement adjustments* | 248,814 |
| Additions through business combinations* | 143,272 |
| Depreciation expense | (101,128) |
| Balance at 30 June 2021 | 646,630 |
| Remeasurement adjustments | (6,414) |
| Depreciation expense | (127,736) |
| Balance at 30 June 2022 | 512,480 |

*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.

During the previous financial year a new lease agreement was entered into for the Victor Harbor branch, the lease for the Goolwa branch was obtained through the acquisition of AlexInvest and the enforceable for the Aldinga lease was estimated by the board resulting in a remeasurement of the lease liability and right-of-use asset.

Refer to note 17 for more information on lease arrangements.

**Note 14. Intangibles**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Acquisition of AlexInvest | 187,793 | 187,793 |
| | | |
| Franchise fee | 70,907 | 70,907 |
| Less: Accumulated amortisation | (57,890) | (53,885) |
| | 13,017 | 17,022 |
| | | |
| Franchise renewal fee | 331,923 | 331,923 |
| Less: Accumulated amortisation | (283,173) | (268,173) |
| | 48,750 | 63,750 |
| | | |
| Establishment fee - Victor Harbor | 31,663 | 31,663 |
| Less: Accumulated amortisation | (8,795) | (1,759) |
| | 22,868 | 29,904 |
| | | |
| Domiciled customer accounts - Victor Harbor | 90,000 | 90,000 |
| Less: Accumulated amortisation | (22,500) | (4,500) |
| | 67,500 | 85,500 |
| | | |
| | 339,928 | 383,969 |

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

| | Franchise fee<br>$ | Establishment fee<br>$ | Franchise renewal fee<br>$ | Domiciled customer accounts - Victor Harbor<br>$ | Acquisition of AlexInvest<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2020 | 1,865 | 31,663 | 9,327 | - | - | 42,855 |
| Additions | 18,173 | - | 68,248 | 90,000 | - | 176,421 |
| Additions through business combinations | 941 | - | 4,708 | - | 187,793 | 193,442 |
| Disposals | (1,506) | - | (6,623) | - | - | (8,129) |
| Amortisation expense | (2,451) | (1,759) | (11,910) | (4,500) | - | (20,620) |
| | | | | | | |
| Balance at 30 June 2021 | 17,022 | 29,904 | 63,750 | 85,500 | 187,793 | 383,969 |
| Amortisation expense | (4,005) | (7,036) | (15,000) | (18,000) | - | (44,041) |
| | | | | | | |
| Balance at 30 June 2022 | 13,017 | 22,868 | 48,750 | 67,500 | 187,793 | 339,928 |

*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 and domiciled customer accounts are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

**Note 14. Intangibles (continued)**

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 establishment fee | Straight-line | Over the franchise term | October 2025 |
| Franchise fee | Straight-line | Over the franchise term | October 2025 |
| Franchise renewal fee | Straight-line | Over the franchise term | October 2025 |
| Domiciled customer accounts | Straight-line | 5 years | April 2026 |
| Goodwill | | Indefinite | N/A |

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

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

*Accounting policy for intangible assets*
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

**Note 15. Trade and other payables**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | 14,551 | 19,208 |
| Other payables and accruals | 92,633 | 83,469 |
| | 107,184 | 102,677 |
| *Non-current liabilities* | | |
| Other payables and accruals | 48,050 | 77,673 |

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

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

### Note 16. Borrowings

| | 2022 $ | 2021 $ |
|---|---|---|
| *Current liabilities* | | |
| Bank loans | 60,372 | 60,372 |
| | | |
| *Non-current liabilities* | | |
| Bank loans | 389,578 | 449,590 |

*Bank loans*
Bank loans are repayable monthly with repayments being interest-free. The loans are secured by a fixed and floating charge over the company's assets.

*Accounting policy for borrowings*
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### Note 17. Lease liabilities

| | 2022 $ | 2021 $ |
|---|---|---|
| *Current liabilities* | | |
| Land and buildings lease liabilities | 158,307 | 153,844 |
| Unexpired interest | (20,057) | (25,559) |
| | 138,250 | 128,285 |
| | | |
| *Non-current liabilities* | | |
| Land and buildings lease liabilities | 492,933 | 654,515 |
| Unexpired interest | (44,429) | (66,491) |
| | 448,504 | 588,024 |

*Reconciliation of lease liabilities*

| | 2022 $ | 2021 $ |
|---|---|---|
| Opening balance | 716,309 | 75,519 |
| Additional lease liabilities recognised | - | 283,043 |
| Remeasurement adjustments | 3,024 | 253,022 |
| Lease interest expense | 24,927 | 20,750 |
| Lease payments - total cash outflow | (157,506) | (122,592) |
| Additions through business combinations | - | 206,567 |
| | 586,754 | 716,309 |

### Note 17. Lease liabilities (continued)

*Maturity analysis*

| | 2022 $ | 2021 $ |
|---|---|---|
| Not later than 12 months | 158,307 | 153,844 |
| Between 12 months and 5 years | 492,933 | 614,424 |
| Greater than 5 years | - | 40,091 |
| | 651,240 | 808,359 |

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

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

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

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

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

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

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

**Note 17. Lease liabilities (continued)**

The company's lease portfolio includes:

| | |
|---|---|
| Aldinga branch | The lease agreement commenced in May 2011. The terms continue on a month-by-month basis. The board is currently in negotiations with the landlord to extend the term of the lease agreement. Under AASB 16: Leases the group has determined the period for which the lease is enforceable as 46 months. As such, the lease term end date used in the calculation of the lease liability is April 2024. The discount rate used in the calculations is 3.54%. |
| Goolwa branch | The lease agreement commenced in May 2011 with an initial term of 5 years. A 5 year renewal option was exercised in May 2021. The group has no renewal options available in the current lease agreement. As such, the lease term end date used in the calculation of the lease liability is May 2026. The discount rate used in the calculations is 4.79%. |
| Victor Harbor branch | The lease agreement commenced in March 2021 with an initial term of 55 months. The group 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 September 2030. The discount rate used in the calculations is 3.54%. |
| Willunga Customer Service Centre | The lease agreement commenced in April 2015. A 3 year renewal option was exercised in April 2020. The group has 2 x 3 year renewal options available which, for AASB 16: Leases purposes they are reasonable certain to exercise. As such, the lease term end date used in the calculation is April 2029. The discount rate used in the calculations is 3.54%. |
| Willunga Services Centre | The formal lease agreement has expired. The terms continue on a month-by-month basis. The short term exemption has been applied for measurement and recognition. |

**Note 18. Employee benefits**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Annual leave | 36,751 | 41,867 |
| Long service leave | 24,006 | 21,296 |
| | 60,757 | 63,163 |
| *Non-current liabilities* | | |
| Long service leave | 16,136 | 10,237 |

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

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

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

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

### Note 18. Employee benefits (continued)

*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 19. Provisions

| | 2022 $ | 2021 $ |
|---|---|---|
| Lease make good | 81,189 | 78,120 |

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

| Lease | Lease term expiry date per AASB 16 | Estimated provisions |
|---|---|---|
| Aldinga | April 2024 | $35,000 |
| Goolwa | May 2026 | $25,000 |
| Willunga | April 2029 | $35,000 |
| Victor Harbor | September 2030 | $0 |

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

### Note 20. Issued capital

| | 2022 Shares | 2021 Shares | 2022 $ | 2021 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 988,321 | 842,339 | 842,339 | 842,339 |

| Reconciliation of issued capital movement | 2022 Shares | 2022 $ | 2021 Shares | 2021 $ |
|---|---|---|---|---|
| *Fully paid ordinary shares* | | | | |
| Balance amount at beginning | - | - | 724,815 | 724,815 |
| Shares issued pursuant to merger | - | - | 263,506 | 117,524 |
| | - | - | 988,321 | 842,339 |

**Note 20. Issued capital (continued)**

During the previous financial year, the company issued shares pursuant to the merger with AlexInvest. The merger dated 5 October 2020 was lodged with the Australian Securities and Investments Commission (ASIC). The company issued 263,506 shares at a price of $0.446 per ordinary share.

*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).

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 219**.** As at the date of this report, the company had 440 shareholders (2021: 440 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 his or her associates) have a prohibited shareholding interest, are suspended.

### Note 20. Issued capital (continued)

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 21. Accumulated losses

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (430,917) | (303,335) |
| Loss after income tax benefit for the year | (33,388) | (69,597) |
| Dividends paid (note 23) | - | (57,985) |
| Accumulated losses at the end of the financial year | (464,305) | (430,917) |

### Note 22. Capital management

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

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

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

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

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

**Note 23. Dividends**

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

| | 2022 $ | 2021 $ |
|---|---|---|
| Unfranked dividend of nil cents per share (2021: 8 cents) | - | 57,985 |

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

**Note 24. Financial instruments**

| | 2022 $ | 2021 $ |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 136,613 | 91,589 |
| Cash and cash equivalents | 99,472 | 209,890 |
| | 236,085 | 301,479 |
| **Financial liabilities** | | |
| Trade and other payables | 155,234 | 180,350 |
| Lease liabilities | 586,754 | 716,309 |
| Bank loans | 449,950 | 509,962 |
| | 1,191,938 | 1,406,621 |

*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, borrowings 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.

**Note 24. Financial instruments (continued)**

***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.

***Equity Price risk***
The company is not exposed to any significant price risk.

***Cash flow and fair value interest rate risk***
Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. 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 $99,472 at 30 June 2022 (2021: $209,890). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

As at the reporting date, the company had the following variable rate borrowings outstanding:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Nominal interest rate %** | **Balance $** | **Nominal interest rate %** | **Balance $** |
| Bank loans | - | 449,950 | - | 509,962 |
| Net exposure to cash flow interest rate risk | | 449,950 | | 509,962 |

Bank loans are currently interest free.

An analysis by remaining contractual maturities is shown in 'liquidity risk' below.

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

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

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

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

| **2022** | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| Bank loans | 60,372 | - | - | 60,372 |
| Trade and other payables | 107,184 | 48,050 | - | 155,234 |
| Lease liabilities | 158,307 | 492,933 | - | 651,240 |
| Total non-derivatives | 325,863 | 540,983 | - | 866,846 |

**Note 24. Financial instruments (continued)**

| 2021 | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| Bank loans | 60,372 | - | - | 60,372 |
| Trade and other payables | 102,677 | 77,673 | - | 180,350 |
| Lease liabilities | 153,844 | 614,424 | 40,091 | 808,359 |
| Total non-derivatives | 316,893 | 692,097 | 40,091 | 1,049,081 |

**Note 25. Key management personnel disclosures**

The following persons were directors of Fleurieu Community Enterprises Ltd during the financial year:

Ronald Leslie Logan
Charles Dominic Rodney Manning
Marissa Harvey
Emily Livingston
Robert Vanderkamp
Alison Hancock
Moira Fay Jenkins
Joshua David Lee
Kym McHugh
Lauren McKee
Carol Gaston
Karyn Joy Thomas

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

There are no executives within the company whose remuneration is required to be disclosed.

**Note 26. Related party transactions**

The following transactions occurred with related parties:

| | 2022 $ | 2021 $ |
|---|---|---|
| Ron Logan receives rental income for the Victor Harbor branch lease | 31,283 | 10,871 |

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

**Note 27. Remuneration of auditors**

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

| | 2022 $ | 2021 $ |
|---|---|---|
| *Audit services (Accru Harris Orchard)* | | |
| Audit or review of the financial statements | 6,350 | 5,450 |
| *Other services (Andrew Frewin Stewart)* | | |
| Taxation advice and tax compliance services | 1,200 | - |
| General advisory services | 13,730 | - |
| Share registry services | 3,270 | - |
| | 18,200 | - |
| | 24,550 | 5,450 |

### Note 28. Reconciliation of loss after income tax to net cash provided by operating activities

| | 2022 $ | 2021 $ |
|---|---|---|
| Loss after income tax benefit for the year | (33,388) | (69,597) |
| Adjustments for: | | |
| Depreciation and amortisation | 226,801 | 164,182 |
| Lease liabilities interest | 24,927 | 20,750 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (55,610) | 50,839 |
| Increase in deferred tax assets | (2,448) | - |
| Increase in other operating assets | - | (8,272) |
| Increase/(decrease) in trade and other payables | 11,253 | (2,051) |
| Increase in employee benefits | 3,493 | 11,044 |
| Increase in other provisions | 3,069 | 2,722 |
| Net cash provided by operating activities | 178,097 | 169,617 |

### Note 29. Earnings per share

| | 2022 $ | 2021 $ |
|---|---|---|
| Loss after income tax | (33,388) | (69,597) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 918,293 | 918,293 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 918,293 | 918,293 |
| | **Cents** | **Cents** |
| Basic earnings per share | (3.64) | (7.58) |
| Diluted earnings per share | (3.64) | (7.58) |

*Accounting policy for earnings per share*
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Fleurieu Community Enterprises Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

### Note 30. Commitments

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

### Note 31. Contingencies

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

### Note 32. Events after the reporting period

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 2.00 basis points moving from 0.85% at 30 June 2022 to 2.85% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

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

**Fleurieu Community Enterprises Ltd**
**Directors' declaration**
**30 June 2022**

In the directors' opinion:

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

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

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

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

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

On behalf of the directors

___________________________
Ronald Leslie Logan
Chair

3 November 2022

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

# Independent auditor's report to the Directors of Fleurieu Community Enterprises Ltd

## Report on the Audit of the Financial Report

## Opinion

We have audited the financial report of Fleurieu Community Enterprises Ltd (the company), which comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Fleurieu Community Enterprises Ltd, is in accordance with the *Corporations Act 2001*, including:

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

## Basis for Opinion

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

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

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

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## Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 2 of the financial report, which discloses the following:

- Revenue from contracts with customers has increased by $347,610, however the company has reported an operating loss (loss before tax) of $35,836.
- The company has an overdraft facility that they can draw upon if required. The overdraft has an approved limit of $100,000 and was drawn not drawn upon as at 30 June 2022.
- As at 30 June 2022 the company had accumulated losses of $464,305, with a net working capital deficiency of $107,582, where the company’s current liabilities exceeds its current assets.

These conditions, along with other matters detailed at Note 2, indicate that an uncertainty exists that may cast doubt on the company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

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

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

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

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

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

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## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's responsibilities for the Audit of the Financial Report

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

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.

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- 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: 3 November 2022

**Joshua Griffin**
**Lead Auditor**