Annual Report 2022

Healesville & District Community Enterprise Limited

Community Bank
Healesville

ABN 64 143 284 182

Contents

Chair’s Report

For year ending 30 June 2022

It is my pleasure to present the 2021-2022 Healesville & District Community Enterprise Ltd. Annual Report. It is with enthusiasm that I can report that for the fifth consecutive year we have seen another annual trading surplus for the company. This has followed from continued good governance and management by Directors and Staff.

Our small operating surplus, in a very challenging environment, from ordinary activities of approximately $23,000 reflects the work of a dedicated team of Staff and Directors with a commitment to both customers and community, together with a disciplined approach to expense management, based on our business strategy. Despite the banking climate and the many COVID-19 related challenges, it remains our belief that we can continue to see a continuation of trading surpluses over coming years. This will enable us to continue to repay debt and to finally see payment of dividends to shareholders. The latter remains our strong intent, but this can only be undertaken once we are in a positive equity position. We are now close to this point.

The Community Bank model is unique. Being connected to our community means that we understand that successful customers assist to create a successful community. This community involvement is our real point of difference.

Thanks to the support of Community Bank branch customers and shareholders, the Australia-wide network has now returned more than $240 million to support and strengthen local communities. This enormous achievement has come 23 years after the Community Bank concept was born in the Western Victorian farming townships of Rupanyup and Minyip in 1998. We are a robust and maturing banking network where valued partnerships enhance banking services, taking the profits that local banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

Community Bank Healesville has played its role in this milestone, supporting many projects and community groups with over $120,000 to help Healesville grow and thrive. In celebrating our 10th Birthday, grants of $500 each were given, delayed due to COVID-19, to each of the following organisations:

- Healesville SES
- Healesville Living & Learning Centre
- Healesville CoRE
- Healesville Music Festival
- Robyn Jane Children’s Centre
- Healesville Historical Society
- Healesville Bowling Club
- Film Society (Healesville Mini Film Festival)
- ECLC (Eastern Community Legal Centre)
- Yarra Glen Basketball

In addition to these grants, we have also undertaken a new ‘Lose your marbles’ initiative which sees anyone opening a new account being invited to place a marble in a jar supporting a community group, with allocations of up to $2,000 to a community organisation. Going forward we look forward to continuing to increase our support for community groups as more people bank with us and our improving financial position allows us to increase our local grants program.

Ratings upgrade

Bendigo and Adelaide Bank Limited remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. In many areas it has been cited as an exemplary model in the recent Banking Royal Commission, is currently rated as Australia's most trusted bank and recognised in a Roy Morgan survey as Australia's the third most trusted brand.

Government guarantee

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the "government guarantee", lowering it from $1 million to a permanent guarantee cap of $250,000 per account holder per Authorised Deposit-taking Institution (ADI) effective 1 February 2012.

All Community Bank branches operate under Bendigo and Adelaide Bank Limited's banking licence, and as such the first $250,000 of a depositor's funds held with a Community Bank branch are guaranteed by the Federal Government, free of charge, and supported by the capital base and financial strength of their franchise partner, Bendigo and Adelaide Bank Limited. Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank Limited and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe.

Income and expenses

Healesville & District Community Enterprise Limited is reporting a full financial year trading surplus of approximately $23,000 for 2021-22. Our existing overdraft has been reduced to $75K and our long-term loan has been reducing steadily, now sitting at approximately $330K. Given the much tighter banking margins due to lower interest rates we have been closely monitoring expenses and have had to continue to limit community grants. Our 2022-23 budget shows a higher projected income and this will enable us to continue to repay debt and to return a shareholder dividend as soon as we are legally able to do so.

Our net equity will move into positive territory early in this financial year. We thank our highly engaged Staff, Board and Bendigo Bank for working hard in the community and on our business growth strategies. After a vacancy of 6 months, the sub-leasing of the upstairs area has continued to add additional income. Over the past year, we maintained a strong reign on expenses.

COVID-19

Obviously, the ongoing COVID-19 pandemic has significantly impacted most businesses and has seen a significant change in customer needs. In the face of this as a designated essential service we followed stringent health and safety precautions for staff and customers in line with bank policy. The State Government lockdowns meant that staff continued to operate in new and flexible ways to provide services and support. In addition, Directors received very positive feedback on the online webinar series focusing on resourcing and supporting local businesses and community groups during the pandemic.

Your Board

The Healesville & District Community Enterprise Limited Board of Directors is drawn from the local community and each Director is skilled in their area of expertise and passionate about our community. They volunteer their time to guide and grow the business. They support the branch staff and work tirelessly in the community promoting Community Bank Healesville.

May I express my sincere appreciation to your 2021-22 Board of Directors – Sue Jackson, Caroline Evans, Helen Wood (Company Secretary), Jo Bagg, Danny Zemp, Leigh Harry, Nicole Slingsby, Elly Hanrahan, Damian North and Kath Gannaway for the honorary work they do on our committees and the leadership provided in our community.

I would like to particularly thank Kath Gannaway and Damian North who have stepped down as Directors. In addition, Brad Sanders and Sandra Schoffer have served as invaluable Associates. We Welcome Nicole Slingsby and Elly Hanrahan as new Directors in 2022-23. We also acknowledge the pivotal support of the Bendigo Bank team, particularly Regional Managers Daryl Ellis and Simon Sponza, together with Mark Nolan.

Our Staff

Keeley Mahoney commenced as our Branch Manager in May 2019 and the staff team have continued to deliver excellent customer service and produce good results. They do this by providing local residents, traders and businesses with professional and friendly face-to-face banking and financial services which are highly valued and appreciated. During the year Dan Mathers, Guilia Matino, Fay Mahoney, Shelli Johanson and Lucia Bolger comprised our great staff team. A highlight for us was receiving two awards at the Regional Bendigo Bank Awards night in July – the Branch Sales Award and the Branch Rising Star Award.

Finance, Audit and Risk Committee

This committee, chaired by Sue Jackson and ably assisted by BCV Financial Services, have provided timely and accurate financials on which the Board can base their assessment of business performance. This committee has also been instrumental in managing business finances, regular auditing and a comprehensive risk register was completed at the onset of the current pandemic.

Business Development Committee

The Business Development Committee, chaired by Caroline Evans, has as its charter to specifically develop and implement activities and events focussed on growing the company business. It has developed a number of initiatives that have already proved fruitful for our business growth. This has included working with local businesses and community groups and oversight of last year's winter webinar series. We also initiated our 'Lose your marbles' campaign and continue to oversee our local community investments.

In terms of Community Investment, Directors and management team have again focussed directly on connecting and maintaining contact with all the community entities that have benefited from our grants. We aim to develop stronger relationships with grant recipients, ensuring they have a key understanding of the importance of supporting the Community Bank branch that in turn supports them in their endeavours.

People and Culture Committee

This committee, chaired by Helen Wood, has continued their human resources focus, supporting and ensuring appropriate training for both staff and directors and responding to requests from shareholders.

During the year, Directors participated (mostly online) in State and Regional Bendigo Bank Conferences, undertook professional development courses in new Director induction, Low Volume Share Trading, Understanding Profit Share, The Effective Board and Marketing. The directors and staff also participated in a strategic plan review to identify the key partners and chart a growth course for our business.

Challenges and Opportunities

The Healesville community understands our banking model and what that means for the community into the future. It has been exciting to see further growth in customer numbers to 2,250 over the past 12 months. Despite this some do not yet realise that Bendigo Bank provides a full range of financial and banking services.

In addition to providing welcoming and professional banking services we recognise that it is important for us that we continue to remain competitive in pricing and continue to develop and deliver innovative and relevant banking products and services. Our current three-year strategic plan, together with Bendigo Bank's support will deliver another surplus in 2022-23 and we are very encouraged by the significantly increased levels of footings (both deposits and lending, totalling over $110M) that have occurred over the past four years. It is noted that there has been limited buying and selling of shares over the past 12 months.

Our core focus is to meet the needs and expectations of our customers as they change and in the face of continued COVID-19 and banking challenges. Increasing the level of business activity and engagement and thereby deepening our relationship with our customers, is our key point of difference. On behalf of the Board of Directors I would encourage you, our shareholders, to be our ambassadors to the community at large. You can certainly help your community company achieve greater success by encouraging members of your family, friends and acquaintances to bank with us.

We look forward to seeing as many shareholders as possible at our Annual General Meeting which will be conducted via Zoom at 10am on Saturday 26th November 2022.

Yours Sincerely,

B.L. Argyle

Bruce Argyle
Chairman

Manager’s Report

For year ending 30 June 2022

Welcome to Healesville and District Community Enterprise Ltd AGM. This is our eleventh financial year since we opened our doors on 18th February 2011. Over this time, we have grown our brand and goodwill within the Healesville & District area. I would like to thank every shareholder for their support over this time.

While COVID-19 created many challenges, it also showed the resilience and community spirit in our town. Healesville locals ‘Shopped Locally, Banked Locally and Thought Locally’. Our customer base increased by over 6% to 2,301 customers as of 1st July 2022.

Our total business holding at the end of the2021-2022 financial year was $123 million.

June 2022 saw a surprise visit from Marnie Baker the CEO of Bendigo Bank. She was in the area for a conference and thought she would ‘pop in’. She met with customers in the branch and spoke to every staff member. What a thrill, with a promise to return for longer, and we thank her for the great energy she brought.

We attended a Regional Awards night in July at Wild Cattle Creek. Our branch was recognised by the Regional Managers for our hard work and focus on our customers. We won two awards for Sales and Rising Star and they now both sit proudly in the Branch.

I would like to thank Dan, Shelli, Luci, Fay and Giulia for their dedication to our customers. Thank you for the first-class customer service you provide and the welcoming environment we have created within the Branch. We remained open every day, all day during the pandemic and provided a stable environment for the customers.

This year we farewelled Kylie Artus, our Personal Banker, and welcomed her replacement, Giulia Matino. Shelli took a trip of a lifetime travelling our beautiful country for four months with her family and we welcomed Fay as her temporary replacement in May 2022.

We are proud to support local groups and clubs this year. Their gratitude is overwhelming, no matter how big or small our contribution, they are truly thankful and use the money to benefit their members. Community Banking is a grassroots social enterprise business model that aims to feed into the prosperity of communities, where revenue is generated by the bank’s customers and invested back to the community via programs such as sponsorship and grants.

Without the Board of Directors, who voluntarily dedicate their time to support and guide our community branch we would not be here, so thank you.

Thank you to Simon Sponza and Chris Cahir, our new Regional Manager, for their ongoing support and guidance. Finally, on behalf of myself and my team, we would like to thank everyone who continues to support the Healesville & District Community Enterprise Pty Ltd.

Keeley Mahoney
Branch Manager

Head of Community Development, Bendigo Bank

For year ending 30 June 2022

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

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

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

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

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

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

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

Justine Minne
Bendigo and Adelaide Bank

Sub-committee Reports

For year ending 30 June 2022

Finance, Audit and Risk

Our Finance, Audit and Risk Committee (FAR) continues to focus on improving the financial risk management systems and reporting systems. I appreciate the commitment, input and diligence of our committee members, namely Bruce Argyle, Leigh Harry and Sandra Schoffer.

Our committee continued to focus on updating and reviewing relevant Financial Management policies that underpin our community bank. Moving forward a newly formed Governance Committee will review policies. The Risk Register continues to be comprehensively reviewed and updated, thank you to Leigh Harry for diligently overseeing this task.

Thank you to BCV Financial Services, who continue to provide HDCEL with book-keeping and financial services. Our key financial challenges are to continue to increase profitability, pay down the overdraft, pay our shareholders a dividend and position ourselves to provide greater financial support for our local community.
New challenges continue to arise, with our dedicated committee looking forward to another successful and rewarding year.

Sue Jackson
Chair – Finance, Audit and Risk Committee

Business Development

This year was both challenging and rewarding for the Business Development Committee.

We continued our focus on growing our community business and our profit, with a view to rewarding our patient shareholders. We have also enjoyed supporting many of our community groups with our community business. Our two key goals were to raise awareness of the way the Community Banking model works for our community and to continue to promote our high level of service to continue growing our business.

We have raised the level of awareness by developing our connections with many of our community groups to provide information to our community on how the Community Banking model works and how it can benefit our community. In short, we can show a strong proportional relationship between the volume of banking business received and the community benefit received. The more banking business we all direct to our Community Bank, the more our community will benefit. The message is spreading throughout the community and our banking business is increasing as a result.

The benefits to our sporting clubs and not-for-profit community organisations have continued to grow and the relationships we have developed with our community organisations mean that the benefits to our community groups will continue to grow, along with our Community Bank business.

We continue to provide our community with the highest level of personal service that any bank could provide. We have achieved this goal by constantly striving to improve, listening to the voices of our community connections and providing the services they seek as well as adapting our service where feedback from our community informs of a new way to improve the service we provide. Our community customers can call our staff and speak directly to them, and they will help. They will not put you on hold for hours, or ask you to call someone else, or fill out an online form.

We have certainly made headway in expanding the business as you will note in the financial report. However, we have a renewed determination to continue to improve our Community Bank business. We think our community should take the benefit from banking business in our community, not a highly paid CEO from different bank.

We thank all of our hard-working voluntary committee members for contributing to our Community Bank with heartfelt dedication in a bid to provide benefits to our community. We acknowledge our hardworking staff, in particular our Branch Manager Keeley Mahoney, whose dedication to our community banking model is palpable. Keeley is dedicated to providing a level of service we all expect from banks, but rarely see.

We look forward to expanding our business in the coming year and providing more support to our community.

Caroline Evans
Chair – Business Development Committee

People and Culture

As Chair of the People and Culture Committee during 2021-22 it has been a pleasure to work closely with our Branch Manager, Keeley Mahoney and team to ensure we are providing excellent customer service and outcomes for our customers. After moving on from the COVID-19 response period we have all worked hard to ensure the branch and our customers feel safe while also acknowledging life is somewhat returning to normal. Our team do an amazing job for our customers, and this has continued throughout the past year. We also have great support on the P&C Committee from Brad Sanders, Bruce Argyle and more recently Damian North.

The Board has prioritised a focus on stretch targets for the Branch and our team this past year while being very mindful of the above challenges. We have supported the team with team development opportunities and are supporting our Branch Manager with recruitment and ongoing support to ensure we can all focus on growing our business to ensure we are thriving and continue to a key community resource for Healesville and the surrounding district. We look forward to increased profit this year which will mean we can donate more community grants and importantly pay our shareholders their first dividends. As a community bank we, and our shareholders, contribute a lot to our community. 80% of our profits go back to the Healesville and District community through projects and grants.

I would like to formally acknowledge and thank our Branch team for their work over the last year and their efforts to increase the profile of the bank locally in Healesville. We have had some new staff members this year with a few comings and goings but all have been a pleasure to work with and have kept a strong focus on our customers with Keeley and our Assistant Manager, Dan Mathers's support.

The branch has performed extremely well in relation to the targets set by Bendigo Bank and across the region is the leading branch for many of those KPIs. The Board would acknowledge the wonderful leadership of our Branch Manager, Keeley Mahoney, and of course our great team Dan, Shelli and Fay. We also would like to thank the outgoing members of our team for their hard work while they were in the branch with us - Giulia, Luci and Kylie. Well done team and here's to a great year ahead.

Helen Wood
Chair – People, Culture and Governance Committee

Directors’ Report

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

Bruce Leonard Argyle

Position	Chairman
Qualifications, experience and expertise	Bachelor of Science (Hons.), Diploma in Business and Education and Masters in Dispute Resolution. Current Board and Director roles: Australian Charities & Not-for- Profit Commission (ACNC) – Reference Group (10 years) Social Investment Grants Program, Community Sector Banking – Chair (8 years) Non-executive Director, Lockwood Trust (19 years). Current community roles: Healesville Toastmasters – Exec Member, YVFM 99.1 Community Radio – Member and presenter, Healesville CoRE – Member, Healesville Community Emergency Group – Member and HEWI – Member. Paid employment roles: CEO Regional Extended Family Services (REFS) – 14 years, Director at Philanthropy Australia – 6 years, CEO InterCapital Fundraising – 2 years, Director Community Relations Uniting AgeWell – 2 years and Head of Philanthropy/NFP Specialist Team at Bendigo Bank – 5 years. Former directorships: Interact Australia – Director and Board Chair and The Chase & Tyler Foundation – Director.
Special responsibilities	Chair; Finance, Audit & Risk Committee
Interest in shares	2,000 ordinary shares

Daniel Zemp

Position	Non-executive director
Qualifications, experience and expertise	Cartoonist and Arborist BSc, Frontline management, Environmental management and sustainability. Currently working at the local high school as an integration aide as well as providing a regular editorial cartoon in the local paper. Daniel has 25 years’ experience as a climbing arborist and is currently on the committee of the Australian Cartoon Museum. Daniel was previously a Bendigo Bank Advisor and Director.
Special responsibilities	Business Development Committee
Interest in shares	2,000 ordinary shares

Helen Maree Wood

Position	Non-executive director
Qualifications, experience and expertise	20 years in local and state government. Helen has operated her own business (TMS Consulting) since 2006 as a management consultant specialising in organisational capability (30-50 staff). She is the Chair and Board Member of the Brisbane Youth Services for 8 years – providing services to homeless and vulnerable youth. Individual areas of specialty are organisational performance, leadership, change management, human dynamics. A very experienced and well-regarded facilitator, she has run major engagement forums for state and federal governments, helped executive teams align their strategy and helped organisations through major change. She is the joint owner of Yarra Gables Motel in Healesville and supports the local Tourism industry with facilitation of industry forums.
Special responsibilities	Chair - People & Culture Committee
Interest in shares	2,000 ordinary shares

Susan Ellen Jackson

Position	Treasurer
Qualifications, experience and expertise	Susan is a licensed Real Estate Agent with 18 years’ experience in the industry. She completed Bachelor of Property & Real Estate in 2017. Involved in residential sales and manages a team of 12 sales agents. Susan has been involved with Montrose Traders Group for many years and supports various local clubs and groups.
Special responsibilities	Chair - Finance, Audit & Risk Committee
Interest in shares	1,000 ordinary shares

Caroline Anne Evans

Position	Non-executive director
Qualifications, experience and expertise	Accomplished executive with strong interpersonal leadership and team building skills, combined with a commitment to excellence, business acumen, strategic and organisational agility, problem solving and negotiation skills. Qualifications include Diploma of Business (Marketing) and Member of the Australian Institute of Company Directors. A member of the Yarra Valley community for over 40 years, with volunteer involvement in the Yarra Glen Football & Netball Club, HICCI, St Brigid's Primary School and Casey Volunteer Grants Committee. Other current directorships also include Ability Works Australia.
Special responsibilities	Chair - Business Development Committee
Interest in shares	5,000 ordinary shares

Joanne Lee Bagg

Position	Non-executive director
Qualifications, experience and expertise	An experienced professional in management consultancy, tourism and hospitality sectors, with over 15 years' experience working in the Yarra Valley. Previously managed the Yarra Valley Visitor Information centre in Healesville, working with community groups and businesses to promote the region to domestic and international visitors. Worked for 10 years with Swinburne University (through Open Universities Australia) as convenor and tutor for tourism units. Qualifications include Bachelor of Business (Tourism Enterprise Management) and Diploma of Hospitality Management. Joanne has strong interpersonal, administrative and organisational skills and is dedicated to excellent customer service.
Special responsibilities	Governance Committee
Interest in shares	nil share interest held

Leigh Harry

Position	Non-executive director (appointed 2 February 2021)
Qualifications, experience and expertise	Previously CEO of Tourism Victoria from 2012-2016 and the CEO of Melbourne Convention and Exhibition Centre from 1989-2012. He has also held positions such as International President (4 years) and Board member of the International Congress Convention Association (8 years). Leigh was the Chair Business Events Council of Australia, and a Board Member of Meetings and Events Australia, Melbourne Convention Bureau, Board Member Rotary Club of Southbank and Yarra Ranges Tourism. Leigh holds or has previously undertaken volunteer roles with Zoos Victoria, FareShare, Palais Theatre Community Fund, Hannover House, Sacred Heart Mission, Salvation Army and Yarra Valley Arts Society. Leigh is currently the Independent Chair Yarra Ranges Tourism and Co-Chair of Valley Community Recovery Committee.
Special responsibilities	Chair - Governance Committee; Finance, Audit & Risk Committee
Interest in shares	4,000 ordinary shares

Damian Michael North

Position	Non-executive director
Qualifications, experience and expertise	Damian is an operations manager and a wine maker. He has a Bachelor of Applied Science in Wine Making from Charles Sturt University and a Master of Business Administration from Curtin University.
Special responsibilities	People & Culture Committee
Interest in shares	nil share interest held

Elise Hanrahan

Position	Non-executive director (appointed 7 June 2022)
Qualifications, experience and expertise	Elly is a forest firefighter and project officer for the Department of Environment, Land, Water and Planning. She has a BSc. Adv. Global Challenges (Hons). Elly is a passionate environmentalist who lives in an off-grid tiny house in Chum Creek. She also volunteers as the Memberships Coordinator for Healesville Community Owned Renewable Energy, as an Events Lead for the United Nations Association of Australia – Young Professionals and is a Global Voices Scholar. She co-founded AusRegen Inc.; a landscape regeneration not-for-profit and has held board positions as Secretary and Director.
Special responsibilities	Business Development Committee
Interest in shares	nil share interest held

Nicole Lesleigh Slingsby

Position	Non-executive director (appointed 7 June 2022)
Qualifications, experience and expertise	Nicole was admitted as a solicitor in 2018 and worked for two generalist firms before opening her legal practice as a sole practitioner in Healesville in 2020, dedicated to specialising in wills and estates law. She is currently completing a Master of Laws in wills and estates. Her professional role demands excellent communication and problem-solving skills as well as great attention to detail. She has a Bachelor of Health Science; Bachelor of Laws; Graduate Diploma in Legal Practice. Nicole is the President of Healesville Toastmasters.
Special responsibilities	Business Development Committee
Interest in shares	nil share interest held

Kathleen Therese Gannaway

Position	Non-executive director (resigned 20 November 2021)
Qualifications, experience and expertise	Journalist and photographer with the Mail newspaper in Healesville for more than 20 years, retired in September 2018. Currently a member of Healesville Toastmaster and Yarra Ranges Film Society. Previously involved as a volunteer with Badger Creek Fire Brigade Auxiliary, Badger Creek Old School Building Committee and numerous Gateway Festival Committees.
Special responsibilities	Business Development Committee
Interest in shares	3,005 ordinary shares

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

Company Secretary

The company secretary is Helen Wood. Helen was appointed to the position of secretary on 13 February 2020.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank). There have been no significant changes in the nature of these activities during the financial year.

Review of operations

The profit for the company after providing for income tax was:

Year ended 30 June 2022 $	Year ended 30 June 2021 $
17,266	56,489

Operations have continued to perform in line with expectations.

Dividends

No dividends were declared or paid in the current financial year.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 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.

Directors' meetings

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

	Board Meetings Attended	
	Eligible	*Attended*
Bruce Argyle	8	8
Daniel Zemp	8	8
Helen Wood	8	8
Susan Jackson	8	7
Caroline Evans	8	7
Joanne Bagg	8	7
Damian North	8	6
Leigh Harry	8	8
Kathleen Gannaway	3	3
Elise Hanrahan	-	-
Nicole Slingsby	-	-

Directors' benefits

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

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Bruce Argyle	2,000	-	2,000
Daniel Zemp	2,000	-	2,000
Helen Wood	2,000	-	2,000
Susan Jackson	1,000	-	1,000
Caroline Evans	5,000	-	5,000
Joanne Bagg	-	-	-
Leigh Harry	4,000	-	4,000
Damian North	-	-	-
Kathleen Gannaway	2,004	1,001	3,005
Elise Hanrahan	-	-	-
Nicole Slingsby	-	-	-

Indemnification and insurance of directors and officers

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

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

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 proceedin gs on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Indemnity and insurance of auditor

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

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

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 28 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; and
- 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*.

B.L. Argyle

Bruce Leonard Argyle, Chairman

Dated this 4th day of October 2022

2021-2022 Directors

			
Bruce Argyle Chair	Kath Gannaway (retired 20 November 2021)	Danny Zemp	Helen Wood Secretary & Chair - People & Culture
			
Sue Jackson Chair - Finance, Audit & Risk	Caroline Evans Chair - Business Development	Jo Bagg	Leigh Harry
			
Damian North	Elise Hanrahan (appointed 7 June 2022)	Nicole Slingsby (appointed 7 June 2022)	

Auditor’s Independence Declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor’s independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Healesville & District Community Enterprise Limited

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

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 October 2022

Adrian Downing
Lead Auditor

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2022

	Notes	2022 $	2021 $
Revenue from contracts with customers	6	564,207	540,976
Other revenue	7	22,910	66,398
Employee benefit expenses	8	(344,156)	(307,195)
Advertising and marketing costs		(2,110)	(4,767)
Occupancy and associated costs		(17,469)	(16,760)
Systems costs		(29,777)	(31,891)
Depreciation and amortisation expense	8	(73,535)	(56,382)
Finance costs	8	(20,239)	(23,232)
General administration expenses		(66,967)	(73,286)
Profit before community contributions and income tax expense		**32,864**	**93,861**
Charitable donations and sponsorships expense		(9,750)	(8,774)
Profit before income tax expense		**23,114**	**85,087**
Income tax expense	9	(5,848)	(28,598)
Profit after income tax expense for the year	22	**17,266**	**56,489**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**17,266**	**56,489**
		Cents	Cents
Basic earnings per share	30	1.92	6.28
Diluted earnings per share	30	1.91	6.28

he accompanying notes form part of these financial statements.

Financial Statements (cont.)

Balance Sheet
as at 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	10	22,990	19,202
Trade and other receivables	11	64,799	55,822
Total current assets		**87,789**	**75,024**
Non-current assets			
Investment property	14	31,146	4,589
Property, plant and equipment	12	87,160	111,145
Right-of-use assets	13	91,019	148,487
Intangibles	15	47,198	59,552
Deferred tax asset	9	282,062	287,910
Total non-current assets		**538,585**	**611,683**
Total assets		**626,374**	**686,707**
LIABILITIES			
Current liabilities			
Trade and other payables	16	45,336	41,121
Borrowings	17	45,186	39,800
Lease liabilities	18	51,733	47,597
Employee benefits	19	16,254	11,290
Total current liabilities		**158,509**	**139,808**
Non-current liabilities			
Trade and other payables	16	29,204	43,804
Borrowings	17	289,420	322,693
Lease liabilities	18	127,092	173,617
Employee benefits	19	993	4,653
Provisions	20	33,583	31,825
Total non-current liabilities		**480,292**	**576,592**
Total liabilities		**638,801**	**716,400**
Net liabilities		**(12,427)**	**(29,693)**
EQUITY			
Issued capital	21	872,080	872,080
Accumulated losses	22	(884,507)	(901,773)
Total deficiency in equity		**(12,427)**	**(29,693)**

The accompanying notes form part of these financial statements.

Financial Statements (cont.)

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2020	872,080	(958,262)	(86,182)
Profit after income tax expense	-	56,489	56,489
Balance at 30 June 2021	**872,080**	**(901,773)**	**(29,693)**
Balance at 1 July 2021	872,080	901,773	(29,693)
Total comprehensive income for the year	-	17,266	17,266
Balance at 30 June 2022	**872,080**	**(884,507)**	**(12,427)**

The accompanying notes form part of these financial statements.

Financial Statements (cont.)

Statement of Cash Flows

for the year ended 30 June 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		632,126	662,928
Payments to suppliers and employees (inclusive of GST)		(520,020)	(493,949)
		112,106	168,979
Interest and other finance costs paid		(7,487)	(8,315)
Net cash provided by operating activities	29	**104,619**	**160,664**
Cash flows from investing activities			
Payments for intangible		(13,274)	(11,396)
Net cash used in investing activities		**(13,274)**	**(11,396)**
Cash flows from financing activities			
Proceeds from borrowings		5,673	-
Repayments of lease liabilities		(59,670)	(58,355)
Repayments of borrowings	17	(33,560)	(51,615)
Net cash used in financing activities		**(87,557)**	**(109,970)**
Net increase in cash and cash equivalents		3,788	39,298
Cash and cash equivalents at the beginning of the financial year		19,202	(20,096)
Cash and cash equivalents at the end of the financial year	10	**22,990**	**19,202**

Notes to the Financial Statements

for the year ended 30 June 2022

Note 1 Reporting entity

The financial statements cover Healesville & District Community Enterprise Limited (the company) as an individual entity. 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:

Registered Office	Principal Place of Business
205 Maroondah Hwy	205 Maroondah Hwy
Healesville VIC 3777	Healesville VIC 3777

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 4 October 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 year ended 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	2021	Change	Change
	$	$	$	%
Current assets	87,789	75,024	12,765	17%
Current liabilities	(158,509)	(139,808)	(18,701)	13%
Working capital (deficiency)	(70,720)	(64,784)	(5,936)	9%
Total assets	626,374	686,707	(60,333)	(9%)
Total liabilities	(638,801)	(716,400)	77,599	(11%)
Net assets / (liabilities)	(12,427)	(29,693)	17,266	(58%)
Accumulated losses	(884,507)	(901,773)	17,266	(2%)
Profit / (loss) before tax	23,114	85,087	(61,973)	(73%)
Profit / (loss) after tax	17,266	56,489	(39,223)	(69%)
Total comprehensive income	17,266	56,489	(39,223)	(69%)
Operating cash inflows (outflows)	104,619	160,664	(56,045)	(35%)
Cash and cash equivalents	22,990	19,202	3,788	20%
Available overdraft & borrowing facilities	75,000	75,000	-	-

Going concern (cont.)

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of $75,000 and was not drawn upon 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.

The current economic environment is difficult and whilst revenue has declined this financial year, the budgeted forecast for the next 12 months looks promising due to the recent and forecast cash rate increases announced by the RBA. However, the directors acknowledge 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, these circumstances create material uncertainties over future trading results and cash flows.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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.

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.

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.

Sublease classification

Judgement is required to determine the classification of the sublease as either an operating or a finance sublease.

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.

Employee benefits provision (cont.)

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.

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

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- The design, layout and fit out of the Community Bank premises
- Training for the branch manager and other employees in banking, management systems and interface protocol
- Methods and procedures for the sale of products and provision of services
- Security and cash logistic controls
- Calculation of company revenue and payment of many operating and administrative expenses
- The formulation and implementation of advertising and promotional programs
- Sales techniques and proper customer relations
- Providing payroll services.

Note 6 Revenue from contracts with customers

	2022 $	2021 $
- Margin income	458,199	439,515
- Fee income	38,704	35,541
- Commission income	67,304	65,920
Revenue from contracts with customers	564,207	540,976

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 Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

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

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loads less interest paid to customers on deposits
- **Plus** any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- **Minus** any costs of funds i.e. interest applied by to fund a loan.

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

Commission

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

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

Fee income

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

Core business 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 that 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 $	2021 $
Market development fund	15,000	27,708
Cash flow boost	-	19,541
Rental income	7,910	15,263
Other income	-	3,886
Other revenue	22,910	66,398

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

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also “Market Development Fund” or “MDF” income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
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).
Rental income	Rental income from right-of-use assets subleased, 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.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

The amounts received or receivable is 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:		
- Leasehold improvements	22,540	5,359
- Plant and equipment	1,445	1,445
	23,985	6,804
Depreciation of right-of-use assets		
- Leased land and buildings	28,774	18,029
- Investment property	8,422	17,988
	37,196	36,017
Amortisation of intangible assets:		
- Franchise fee	2,059	2,260
- Franchise renewal process fee	10,295	11,301
	12,354	13,561
Total depreciation and amortisation expense	73,535	56,382

Finance costs

	2022 $	2021 $
- Bank overdraft interest paid or accrued	-	41
- Bank loan interest paid or accrued	7,487	8,274
- Lease interest expense	10,994	13,251
- Unwinding of make-good provision	1,758	1,666
	20,239	23,232

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

Employee benefit expenses

	2022 $	2021 $
Wages and salaries	297,447	266,859
Contributions to defined contribution plans	30,011	25,157
Expenses related to long service leave	1,345	3,247
Other expenses	15,353	11,932
	344,156	307,195

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	13,088	14,309

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 $	2021 $
Income tax expense:		
- Movement in deferred tax	(3,082)	607
- Reduction in company tax rate	-	11,516
- Recoupment of prior year tax losses	8,930	16,475
Aggregate income tax expense	5,848	28,598
Prima facie income tax reconciliation:		
Profit before income tax expense	23,114	85,087
Tax at the statutory tax rate of 25% (2021: 26%)	5,779	22,123
Tax effect of:		
- Non-deductible expenses	69	40
- Non-assessable income	-	(5,081)
- Reduction in company tax rate	-	11,516
Income tax expense	5,848	28,598
Deferred tax assets/(liabilities)		
- Tax losses	256,305	265,235
- Property, plant and equipment	(1,116)	(6,388)
- Employee benefits	4,312	4,073
- Provision for lease make good	8,396	7,956
- Lease liabilities	44,706	55,303
- Right-of-use assets	(30,541)	(38,269)
Deferred tax asset	282,062	287,910

Accounting policy for income tax

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

Accounting policy for current tax

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

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	22,990	19,202
	22,990	19,202

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	54,385	40,631
Prepayments	6,656	11,323
Other receivables and accruals	3,758	3,868
	64,799	55,822

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 $
Leasehold improvements		
At cost	195,563	195,563
Less: accumulated depreciation	(115,475)	(92,935)
	80,088	102,628
Plant and equipment		
At cost	44,432	44,432
Less: accumulated depreciation	(37,360)	(35,915)
	7,072	8,517
Total written down amount	87,160	111,145

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

	Leasehold improvements $	Plant and equipment $	Total $
Balance at 1 July 2020	107,987	9,962	117,949
Depreciation	(5,359)	(1,445)	(6,804)
Balance at 30 June 2021	102,628	8,517	111,145
Depreciation	(22,540)	(1,445)	(23,985)
Balance at 30 June 2022	80,088	7,072	87,160

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 diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	4 to 20 years
Plant and equipment	1 to 40 years

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

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

Change in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

The company's review of estimates resulted in changes in the useful life of some of Healesville branch leasehold improvements. The useful life had previously been assessed as 40 years until March 2050. This is now expected to be 15 years until September 2025. The effect of these changes on actual and expected depreciation expense was as follows:

	2022 $	2023 $	2024 $	2025 $	2026+ $
(Decrease) increase in depreciation expense	18,091	18,091	18,091	18,091	(72,364)

Note 13 Right-of-use assets

	2022 $	2021 $
Land and buildings – right-of-use	511,567	432,208
Less: Accumulated depreciation	(420,548)	(283,721)
	91,019	148,487

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

	Land and buildings $	Total $
Balance at 1 July 2020	166,514	166,154
Remeasurement adjustments	2	2
Depreciation expense	(18,029)	(18,029)
Balance at 30 June 2021	148,487	148,487
Remeasurement adjustments	(28,694)	(28,694)
Depreciation expense	(28,774)	(28,774)
Balance at 30 June 2022	91,019	91,019

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 18 for more information on lease arrangements.

Note 14 Investment properties

	2022	2021
	$	$
Investment property – sub-lease – at cost	34,979	108,052
Less: Accumulated depreciation	(3,833)	(103,463
	31,146	4,589

Reconciliation

Reconciliation of the beginning and end of the current and financial year are set out below:

Opening amount	4,589	22,577
Remeasurement adjustments	34,979	-
Depreciation expense	(8,422)	(17,988)
Closing amount	31,146	4,589

Maturity analysis

	2022	2021
	$	$
Minimum lease commitments but not recognised in the financial statements:		
1 year or less	15,837	5,956
Between 1 and 3 years	27,715	-
	43,552	5,956

The operating sublease is a 1-year lease which commenced March 2022 with 2 x 1-year options available which have been included in calculations. The above table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Accounting policy for investment properties – sublease

The company subleases some of its property. The company initially measures the head lease in accordance with the accounting polices in note 18 'Lease liabilities' and note 13 'Right-of-use assets' before separately identifying the sublease portion under *AASB 140: Investment property*. The investment property is initially measured at cost under *AASB 16: leases* and subsequently measured at cost less accumulated depreciation under *AASB 140: investment properties*. The separately identifiable portion is calculated based on the sublease term and size of subleased area as a percentage of the head lease term and area.

Accounting policy for subleases

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. Given the term of the sublease is less than the head lease term, the sublease does not meet the definition of a finance sublease and as such is an operating lease.

Accounting policy for subleases (cont.)

During the sublease term the company recognises sublease income in other revenue when earned. Depreciation on the right-of-use asset and interest on the lease liability is recognised under the head lease. The company recognise the sublease portion of the right-of-use asset within investment property.

Note 15 Intangibles

	2022 $	2021 $
Franchised fee	32,053	32,053
Less: Accumulated amortisation	(24,187)	(22,128)
	7,866	9,925
Franchise renewal fee	110,266	110,266
Less: Accumulated amortisation	(70,934)	(60,639)
	39,332	49,627
	47,198	59,552

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

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	1,429	7,146	8,575
Additions	10,756	53,782	64,538
Amortisation expense	(2,260)	(11,301)	(13,561)
Balance at 30 June 2021	9,925	49,627	55,552
Amortisation expense	(2,059)	(10,295)	(12,354)
Balance at 30 June 2022	7,866	39,332	47,198

Additions

During the previous financial year, the Healesville franchise fee was renewed. This is being amortised over five years to February 2026.

Accounting policy for intangible assets

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

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

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

Accounting policy for intangible assets (cont.)

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	February 2026
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	February 2026

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.

Note 16 Trade and other payables

	2022 $	2021 $
Current liabilities		
Trade payables	709	5,373
Other payables and accruals	44,627	35,478
	45,336	41,121
Non-current liabilities		
Other payables and accruals	29,204	43,804

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 17 Borrowings

	2022 $	2021 $
Current liabilities		
Bank loans	45,186	39,800
Non-current liabilities		
Bank loans	289,420	322,693
Total facilities		
Bank overdraft	75,000	75,000
Used at the reporting date		
Bank overdraft	-	-
Unused at the reporting date		
Bank overdraft	75,000	75,000

Bank loans

Bank loans are repayable monthly with the final instalment due in 2028. Interest is recognised at rate of 2.17% (2021: 2.9%). 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 18 Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	60,106	58,355
Unexpired interest	(8,373)	(10,758)
	51,733	47,597
Non-current liabilities		
Land and building lease liabilities	135,239	189,655
Unexpired interest	(8,147)	(16,038)
	127,092	173,617

Reconciliation of lease liabilities	2022 $	2021 $
Opening balance	221,214	266,316
Remeasurement adjustments	6,287	2
Lease interest expense	10,994	13,251
Lease payments – total cash outflow	(59,670)	(58,355)
	178,825	221,214

Maturity analysis	2022 $	2021 $
Not later than 12 months	60,106	58,355
Between 12 months and 5 years	135,239	189,655
	195,345	248,010

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.

Accounting policy for lease liabilities (cont.)

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

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

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

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

The company's lease portfolio includes:

Healesville branch	The lease agreement commenced in October 2010. A 5 year renewal option was exercised in October 2020. As such, the lease term end date used in the calculation of the lease liability is September 2025. The discount rate used in calculations is 5.39%.

Note 19 Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	10,025	11,290
Long service leave	6,229	-
	16,254	11,290
Non-current liabilities		
Long service leave	993	4,653
	993	4,653

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.

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 20 Provisions

	2022 $	2021 $
Lease make good	33,583	31,825

Lease make good

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $40,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 30 September 2025 at which time it is expected the face-value costs to restore the premises will fall due.

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 21 Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares – fully paid	899,026	899,026	899,026	899,026
Less: equity raising costs	-	-	(26,946)	(26,946)
	899,026	899,026	872,080	872,080

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

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.

Voting rights (cont.)

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 259. As at the date of this report, the company had 329 shareholders (2021: 330 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.

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 22 Accumulated losses

	2022 $	2021 $
Accumulated losses at the beginning of the financial year	(901,773)	(958,262)
Profit after income tax expense for the year	17,266	56,489
Accumulated losses at the end of the financial year	(884,507)	(901,773)

Note 23 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors 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:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the 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 24 Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 25 Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	58,143	44,499
Cash and cash equivalents	22,990	19,202
	81,133	63,701
Financial liabilities		
Trade and other payables	74,540	84,925
Lease liabilities	178,825	221,214
Bank loans	334,606	362,493
	587,971	668,632

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.

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. 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 $22,990 at 30 June 2022 (2021: $19,202). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Cash flow and fair value interest rate risk (cont.)

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

	2022		2021	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$	%	$
Bank loans	2.17	334,606	2.90%	362,493
Net exposure to cash flow interest rate risk		334,606		362,493

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.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	2022	2021
	$	$
Bank overdraft	75,000	75,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

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.

Exposure to liquidity risk (cont.)

2022	1 year of less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Bank loans	45,186	289,420	-	334,606
Trade and other payables	45,336	29,204	-	74,540
Lease liabilities	60,103	153,239	-	195,345
Total non-derivatives	150,628	453,863	-	604,491

2021	1 year of less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Bank loans	39,800	322,693	-	362,493
Trade and other payables	41,121	43,804	-	84,925
Lease liabilities	58,355	189,655	-	248,010
Total non-derivatives	139,276	556,152	-	695,428

Note 26 Key management personnel disclosures

The following persons were directors of Healesville & District Community Enterprise Limited during the financial year:

Bruce Leonard Argyle
Kathleen Therese Gannaway
Daniel Zemp
Helen Maree Wood
Susan Ellen Jackson
Caroline Anne Evans
Joanne Lee Bagg
Leigh Harry
Damian Michael North
Nicole Lesleigh Slingsby
Elise Hanrahan

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 27 Related party transactions

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

Note 28 Remuneration of auditors

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

	2022 $	2021 $
Audit services		
- Audit and review of financial statements	5,200	5,000
	5,200	5,000
Other services		
- General advisory services	2,720	2,310
Total auditor's remuneration	7,920	7,310

Note 29 Reconciliation of profit after income tax to net cash provided by operating activities

	2022 $	2021 $
Profit after income tax expense for the year	17,266	56,489
Adjustments for:		
- Depreciation and amortisation	73,535	56,382
- Lease liabilities interest	10,994	13,251
Change in operating assets and liabilities:		
- Decrease / (increase) in trade and other receivables	(8,977)	7,086
- Decrease in deferred tax assets	5,848	28,598
- Increase / (decrease) in trade and other payables	2,891	(8,200)
- Increase in employee benefits	1,304	5,391
- Increase in other provisions	1,758	1,667
Net cash provided by operating activities	104,619	160,664

Note 30 Earnings per share

	2022 $	2021 $
Profit after income tax	17,266	56,489

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	899,026	899,026
Weighted average number of ordinary shares used in calculating diluted earnings per share	899,026	899,026

	Cents	Cents
Basic earnings per share	1.92	6.28
Diluted earnings per share	1.92	6.28

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Healesville & District Community Enterprise Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 Events after the reporting period

No 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.

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
- 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

Bruce Leonard Argyle, Chairman

Dated this 4th day of October 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 Healesville & District Community Enterprise Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Healesville & District Community Enterprise Limited (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 Healesville & District Community Enterprise Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

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Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 2 in the financial report, whilst revenue has declined this financial year the company has reported a small operating profit after tax of $17,266, reducing the company's accumulated losses to $884,507.
For the year ended 30 June 2022 the company had a net working capital deficiency of $70,720, where its current liabilities exceeded its current assets.
These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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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.

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 4 October 2022

Adrian Downing
Lead Auditor

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