

Annual Report 2023

Healesville & District Community
Enterprise Limited

Community Bank
Healesville

ABN 64 143 284 182

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Chair's Report

For year ending 30 June 2023

It is my pleasure to present the 2022-2023 Healesville & District Community Enterprise Ltd. Annual Report. In my 8th year as Board Chair and 11th year as a Director, it is with enthusiasm that I can report that we have seen our largest ever annual trading surplus in the 13 years we have existed as a Community Company. This has resulted from increased banking margins, continued good governance and competent management by Directors and Staff.

Our increased operating surplus from ordinary activities, of approximately \$456,000, reflects increased bank interest rates and the work of a dedicated team of Staff and Directors with a commitment to both customers and community, combined with a disciplined approach to expense management, based on our business strategy. It remains our belief that we expect to see a continuation of trading surpluses over coming years. Our strong performance has enabled us to repay our debt and to finally see a payment of dividends to shareholders, which will now be able to continue.

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 \$300 million to support and strengthen local communities. This enormous achievement has come 25 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 \$135,000 to help Healesville grow and thrive. In the past year grants have been provided to each of the following organisations:

- Healesville Pony Club
- No reason for rubbish
- Healesville Primary School
- Robyn Jane Children's Centre
- Healesville Swimming Club
- Healesville Bowling Club
- Film Society (Healesville Mini Film Festival)
- Outer East Football Netball
- Yarra Glen Cricket Club
- Healesville Community Garden
- YVFM Community Radio
- Healesville Football Club
- First Healesville Scout Group
- Oonah Health & Community Services

In addition to these grants, we have continued our ‘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. We look forward to continuing to increase our support for community groups as more people bank with Community Bank Healesville and the Company’s improving financial position allows us to increase our local grants program.

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 \$456,000 for 2022-23. Our overdraft has been removed and our long-term loan paid off - now sitting at just \$5K, reduced from over \$300,000 just 12 months ago. Our 2023-24 budget shows another strong projected income. This will enable us to return a shareholder dividend, to increase our community grants program and undertake a Branch revamp. In order to plan for future contingencies we have established a new reserve fund which will see 10% of monthly profits set aside for the future.

Our net equity moved strongly into positive territory 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. The sub-leasing of the upstairs area to Oonah has continued to add additional income.

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 2022-23 Board of Directors – Sue Jackson, Caroline Evans (to Feb 2023), Helen Wood, Jo Bagg, Danny Zemp, Leigh Harry, Nicole Slingsby, Elly Hanrahan, Kieran Hulm and Elly Hanrahan. We welcomed David Hill back as a Director at the last AGM. We are particularly indebted to Helen for her tireless work as Company Secretary and for her pro bono work with Board strategy and review.

In addition, Brad Sanders and Sandra Schoffer have served as invaluable Associates. We also acknowledge the pivotal support of the Bendigo Bank team, particularly Regional Managers Simon Sponza and Chris Cahir.

Our Staff

Keeley Mahoney (Branch Manager since 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, Shelli Johanson, Cathy Pye, Jessie Lee Hulm, Fay Mahoney (until Dec 2022) and Lucia Bolger (until Dec 2022) have comprised our great staff team.

Finance, Audit and Risk Committee

This committee, chaired by Sue Jackson and ably assisted by BCV Financial Services and AFS, 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 COVID-19 pandemic.

Business Development Committee

The Business Development Committee, chaired by Nicole Slingsby, 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 continuing 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 the Community Bank banking model and what that means for the community into the future. It has been exciting to see further growth in customer numbers to 2,400 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 Bendigo Bank banking products and services. Our current three-year strategic plan, together with Bendigo Bank's support we expect will deliver another surplus in 2023-24 and we are very encouraged by the significantly increased levels of footings (both deposits and lending, totalling over \$120M) 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 but this is changing with our improved financial position.

Our core focus is to meet the needs and expectations of our customers as they change and in the face of continued 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 at the Lions Club Hall at 10am on Saturday 25 November 2023.

Yours Sincerely,

A handwritten signature in cursive script that reads "B.L. Argyle".

Bruce Argyle
Chair

Manager's Report

For year ending 30 June 2023

2022-2023 was my fourth year as Branch Manager and I can truly say "I still love my job". The reason I enjoy it so much is watching our customers achieve their financial goals and feeding into the prosperity of our customers, not off it.

Growth this financial year was slow as Community Bank Healesville finished just shy of \$124mill with overall holdings. Our customer growth continued with 5.25% growth and this reflects our position in the community is growing stronger through customer recommendations and community group support.

This financial year saw a slow start with customers withdrawing their enquires for fear of interest rate rises. Customers were not wrong, as we saw 13 increases over the past 15 months rising from 0.01% to 5.25%. We have seen strong incentives from the government, with Victoria Homebuyer Fund, First Home Guarantee, Family Home Guarantee and Regional First Home Guarantee. These schemes have helped many customers buy their first home.

This year we have been providing local groups and clubs with grants and sponsorship, and our contributions have made such a huge difference to their projects. We strive to give up to 80% of our profits back to the Healesville and surrounds groups and clubs.

This year we farewelled Dan Mathers, Faye Mahoney and Guilia Matino. Dan, our Assistant Branch Manager, moved to Bendigo Bank Pakenham. Each one of these team members will be missed by the staff and I thank them for their hard work and commitment to Community Bank Healesville.

We welcomed Jessi-Lee Hume and Cath Pye as Customer Advisers. Both have settled with ease and have already become valued members of our team. Jessi-Lee was recently recognised under our Reward and Recognition Program for teaching herself basic Auslan to communicate with a deaf customer who visits our branch fortnightly. The culture of our branch is reflected in this award and I feel proud to work with the staff supporting diversity in our community.

This year I would like to make a special mention of Shelli Johanson. Shelli has been with the branch for the past nine years and has shown reliance, leadership and a sense of humour with all the changes she has seen in her time. Shelli knows most of our customers by name and greets them warmly when they walk through the door. She continuously shares her knowledge freely with the new staff, supports the Branch Assurance Reviews to enable us to have a satisfactory result and is embracing changes felt by the banking industry. Thank you, Shelli, for your support.

I am thankful for Chris Cahir for his continued guidance over the past year. Having a reliable and supportive Regional Manager, who is always available to speak to you, is just fantastic.

This year we say goodbye to our Chair, Bruce Argyle. 'Thank you' does not seem adequate for the encouragement, hard work, time and support he has provided in the eight years as Chair. It has truly been a pleasure working for Bruce and staff and I will miss him popping in with his energetic and cheerful disposition.

We farewelled Helen Wood who has been amazing as the Chair of the People and Culture committee. Helen has assisted me with interviews and sourcing fantastic staff, and her support and powerful questions has inspired me.

Thank you to Sue Jackson for her amazing role as Chair in the Finance, Audit and Risk committee. We know what a difference she has made in the operating of Healesville & District Community Enterprise Limited and we are all grateful.

To the new members, Elly, Keiran and Fiona, welcome! Thank you for your time, input and ideas. It so exciting listening to the new ideas and thoughts. I can't wait to see what the future brings. To our existing board members, thank you! Your commitment to Community Bank Healesville is recognised and appreciated by every staff member. Without you, we would simply not exist.

So, the coming financial year of 2023/2024 is exciting. We have new staff, new board members and a slowing of interest rate rises. Business development will be a major focus this year and I look forward to serving another year as Branch Manager. I encourage everyone to recommend Community bank Healesville to their family, friends and colleagues. Our door is open, we are ready to do business!

Keeley Mahoney
Branch Manager

Head of Community Development, Bendigo Bank

For year ending 30 June 2023

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

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

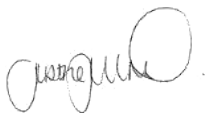
As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and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

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

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

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

Warmest regards,



Justine Minne
Bendigo and Adelaide Bank

Sub-Committee Reports

For year ending 30 June 2023

Finance, Audit and Risk

Our Finance, Audit and Risk Committee (FAR) experienced a couple of changes over the past 12 months. Sandra Schoffer, a member of the board since inception, decided it was time to retire. David Hill, a member of the board previously, has re-joined the team. Thank you to Sandra for her invaluable input and welcome back David. Thank you to Bruce Argyle and Leigh Harry for your continued diligence and commitment.

Our committee throughout the year continued to focus on reviewing the monthly finances of HDCEL and routinely, under the guidance of Leigh Harry, comprehensively reviewed the Risk Register.

Of significance over the past 12 months was the huge reduction in the HDCEL bank loan. Only \$5,700 (approx.) is outstanding from an initial figure of \$315,000 (approx.) at the beginning of December 2022. Our net equity has increased to around \$350,000 and our overdraft has been removed. The payment of our first dividend to Shareholders has been very well received. A wonderful achievement that places the bank in a strong position moving forward.

Thank you to BCV Financial Services for your continued support. Over the next 12 months, our key financial challenges are to continue to increase profitability and to provide dividends to our shareholders. Our goal is to position ourselves to provide greater financial support for our local community. Our dedicated committee are 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, to achieve our first dividend payment to shareholders.

We have enjoyed supporting many of our community groups with our community business this year. The Board has endeavoured to increase our community connection and our level of communication to ensure that we support our community in the most relevant and impactful manner.

Two primary goals were to raise awareness of how the Community Banking model works for our community and to continue to promote our high level of service in order 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 on how the Community Banking model works to benefit our community. We can show a strong proportional relationship between the volume of banking business received and the community benefit returned. 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 along with the relationships we have developed with our community organisations. We have worked to open communication lines with our community organisations and take time to listen and learn about their needs.

Healesville Community bank continues striving to provide the highest level of personal service that any bank could provide. We also seek to adapt our service where feedback from our community informs of a new way to improve service. Our customers can call our staff and speak directly to them. They will not put you on hold for hours or ask you to call someone else.

We have certainly made headway in expanding the business as you will note in the finance 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.

I 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. It gives me pleasure to 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 further support to our community.

Nicole Slingsby
Chair – Business Development Committee

People and Culture

As Chair of the People and Culture Committee during 2022-23 I have observed some great successes by the branch lead by our Branch Manager, Keeley Mahoney and the team. They have continued to provide excellent customer service and outcomes for our customers. With many changes in the banking sector over the last year the team have worked hard to help our customers optimise their banking. Our team do an amazing job for our customers, regularly get very positive feedback and this has continued throughout the past year.

In terms of the P&C Committee we have had great support from Brad Sanders and Bruce Argyle. In this coming year we look forward to Jo Bagg chairing the Committee and ensuring our approach to staff engagement, recruitment and performance maintains the high standards we have achieved over recent years.

Last year the Board prioritised a focus on stretch targets for the Branch and our team has stepped up to achieve these targets. Our standing in the region on comparative performance indicators is outstanding. There has been support from the Committee with recruitment and ongoing support to ensure we can all focus on growing the Branch and ensuring it is thriving in and with our community. Having a local community bank is of considerable benefit to Healesville and the surrounding district and our ability to approve and award grants continues to grow. A major milestone this year occurred when we were able to pay dividends to our shareholders. The Board has had this as a key priority for several years and it was very rewarding to see it finally happening.

As I step down from the Board as a Director 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. I would also like to acknowledge the great work our volunteer Directors do and the leadership of our outstanding Chair, Bruce Argyle.

The Board would once again acknowledge the very capable leadership of our Branch Manager, Keeley Mahoney, and of course our great team past and present. We thank the outgoing members of our team for their work while they were in the Branch with us. We would particularly thank Dan for his time as the Assistant Branch Manager and wish him all the best with his new role. To our current team – we are grateful to have you and keep up the great work!

As I leave the Board, I am very proud of the work we have done and look forward to seeing it go from strength to strength in coming years.

Helen Wood
Chair – People and Culture Committee

Governance

During the 2022/23 Financial Year, the Governance Committee has monitored that HDCEL as a Company and the Board has continued to meet its statutory and corporate reporting requirements.

The Committee has pursued an active role in the regular review of the risks facing the business and all aspects of its operation and in ensuring that appropriate risk management activities are undertaken by Board Committees and Branch management.

In undertaking these tasks, the Committee has been actively supported by all members of the Board and particularly by the Branch Manager.

The support of Bendigo Bank Corporate Office is acknowledged in providing advice and guidance when requested to address the changing corporate reporting requirements during a challenging economic and financial environment.

Leigh Harry
Chair – Governance Committee

Directors' Report

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

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

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
Qualifications, experience and expertise	Previously CEO of Tourism Victoria from 2002-2006 and the CEO of Melbourne Convention and Exhibition Centre from 1989-2002. He has also held positions such as International President (4 years) and Board member of the International Congress Convention Association (8 years). Leigh is the Chair Business Events Council of Australia, and a Board Member of Meetings and Events Associations Australia, Melbourne Convention Bureau, Board Member Rotary Club of Southbank and Yarra Ranges Tourism. Leigh also holds volunteer roles with Zoos Victoria, FairShare, Palais Theatre Community Fund, Hannover House, Sacred Heart Mission, Salvation Army and Yarra Valley Arts Society.
Special responsibilities	Chair - Governance Committee; Finance, Audit & Risk Committee
Interest in shares	4,000 ordinary shares

Elise Hanrahan

Position	Non-executive director
Qualifications, experience and expertise	Elly currently lives in Healesville after moving to the area in 2020. She holds a Bachelor of science (advanced) with honours in global challenges from Monash University. She is passionate about the environment and has worked on the FFMVIC fire crews, as well as leading a bushfire community engagement program in Healesville and surrounds. Alongside volunteering as a Board Director, she currently works as a policy advisor for the Department of Energy Environment and Climate Action (DEECA) as well as the Environment and Health Program Manager at Global Voices.
Special responsibilities	Business Development Committee
Interest in shares	nil share interest held

Nicole Lesleigh Slingsby

Position	Non-executive director
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. 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; Master of Laws; Graduate Diploma in Legal Practice. Nicole is the President of Healesville Toastmasters.
Special responsibilities	Chair - Business Development Committee
Interest in shares	2,000 ordinary shares

David Hill

Position	Non-executive director (appointed 26 November 2022)
Qualifications, experience and expertise	David brings to the board a wealth of previous Director experience and other professional roles that supports his appointment. Past positions include; Honorary Public Service Board Victoria Member; Member of the PSBV Disciplinary Appeals Tribunal; 35 years Nursing - General, Psychiatry & Disabilities with studies at Muriel Yarrington School of Nursing (Gov), Swinburne University, RMIT Bundoora Campus and Melbourne Pathology. Administered WorkCover / Policy & Audit processes for Dairy Farmers Co-Operative. An indentured tradesman (mechanics) and Road Construction with Downer EDI (asphalt). Work shopped the recent 20 year strategic Plan for the Yarra River with Melbourne Water and is a strong participant with local community groups & activities. David's personal goal is to one day represent our community in Council.
Special responsibilities	Finance, Audit and Risk Committee; Governance Committee
Interest in shares	1,000 ordinary shares

Fiona Elizabeth Couper

Position	Non-executive director (appointed 4 April 2023)
Qualifications, experience and expertise	Client Services Officer (Sarina Russo Apprenticeship Services), Enrolments Officer (James Cook University Brisbane), Legal Secretary (31 West Chambers), Operations Team Supervisor (Everlight Radiology), Restaurant Manager (Vine Restaurant & Chachi Yarra Valley). Throughout the last 3 years Fiona has also run her own Holistic Well-being practice (involving Reiki healing, guidance, & meditation and mindfulness classes). Previously volunteered with the YWCA as part of the ASISTA mentoring program. Current member of the Healesville District Lions Club and regularly volunteer at the Lions Den Op Shop. Hold a Certificate 3 in Business, and a Diploma in Makeup Artistry.
Special responsibilities	People & Culture Committee
Interest in shares	nil share interest held

Kieran Hulm

Position	Non-executive director (appointed 4 April 2023)
Qualifications, experience and expertise	Kieran is a qualified electrician and with an engineering specialisation in robotics and automation. He designs customised automated warehouse and manufacturing systems for a global brand throughout the APAC region. Kieran brings nearly a decade of experience in the automation space incorporating his skills in project management, professional services, and creative thinking.
Special responsibilities	Business Development Committee
Interest in shares	nil share interest held

Caroline Anne Evans

Position	Non-executive director (resigned 4 April 2023)
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	Business Development Committee
Interest in shares	5,000 ordinary shares

Helen Maree Wood

Position	Company Secretary (resigned 30 June 2023)
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

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Joanne Lee Bagg was appointed company secretary on 1 July 2023.
- Helen Maree Wood was appointed to the position of secretary on 13 February 2020 and ceased on 30 June 2023.

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 amounted to \$341,703 (30 June 2022: \$17,266).

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

Dividends

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

	2023
	\$
Unfranked dividend of 5 cents per share (2022: Nil)	<u>44,951</u>

Subsequent to financial year-end, the following dividends were proposed by the directors. The dividends have not been provided for in the financial statements.

	2023
	\$
Unfranked dividend of 6 cents per share	<u>53,942</u>

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

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments

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

Environmental regulation

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

Meetings of directors

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

	Board Meetings Attended	
	<i>Eligible</i>	<i>Attended</i>
Bruce Argyle	6	6
Daniel Zemp	6	6
Susan Jackson	6	5
Joanne Bagg	6	4
Leigh Harry	6	6
Nicole Slingsby	6	6
Elise Hanrahan	6	4
David Hill	4	4
Fiona Couper	2	-
Kieran Hulm	2	2
Helen Wood	6	5
Caroline Evans	4	4

Directors' benefits

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

Directors' interests

The interest in company shareholdings for each director are:

	Balance at 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
Susan Jackson	1,000	-	1,000
Joanne Bagg	-	-	-
Leigh Harry	4,000	-	4,000
Nicole Slingsby	-	2,000	2,000
Elise Hanrahan	-	-	-
David Hill	1,000	-	1,000
Fiona Couper	-	-	-
Kieran Hulm	-	-	-
Helen Wood	2,000	-	2,000
Caroline Evans	5,000	-	5,000

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

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

Indemnity and insurance of auditor

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

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

Non-audit services

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

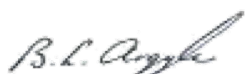
The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

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

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



Bruce Leonard Argyle, Chair

Dated this 22 September 2023

2022-2023 Directors



Bruce Argyle
Chair



Danny Zemp



Sue Jackson
Chair - Finance,
Audit & Risk



Helen Wood
Secretary & Chair -
People & Culture
(retired 30 June
2023)



Leigh Harry
Chair - Governance



Caroline Evans
Chair - Business
Development
(retired 4 April
2023)



Jo Bagg



Nicole Slingsby
Chair - Business
Development



Elise Hanrahan



David Hill



Fiona Couper



Kieran Hulm

Auditor's Independence Declaration



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

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

As lead auditor for the audit of Healesville & District Community Enterprise Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 22 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
Revenue from contracts with customers	6	1,022,385	564,207
Other revenue	7	27,781	22,910
Total revenue		<u>1,050,166</u>	<u>587,117</u>
Employee benefits expense	8	(352,013)	(344,156)
Advertising and marketing costs		(3,459)	(2,110)
Occupancy and associated costs		(20,676)	(17,469)
System costs		(25,889)	(29,777)
Depreciation and amortisation expense	8	(74,743)	(73,535)
Finance costs	8	(21,152)	(20,239)
General administration expenses		(78,840)	(66,967)
Total expenses before community contributions and income tax expense		<u>(577,772)</u>	<u>(554,253)</u>
Profit before community contributions and income tax expense		473,394	32,864
Charitable donations and sponsorships expense		(16,614)	(9,750)
Profit before income tax expense		456,780	23,114
Income tax expense	9	(114,215)	(5,848)
Profit after income tax expense for the year	22	342,565	17,266
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>342,565</u>	<u>17,266</u>
		Cents	Cents
Basic earnings per share	30	38.10	1.92
Diluted earnings per share	30	38.10	1.92

Financial Statements (cont.)

Balance Sheet

as at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	10	94,873	22,990
Trade and other receivables	11	100,495	64,799
Total current assets		<u>195,368</u>	<u>87,789</u>
Non-current assets			
Investment properties	14	19,664	31,146
Property, plant and equipment	12	66,752	87,160
Right-of-use assets	13	68,651	91,019
Intangible assets	15	35,398	47,198
Deferred tax assets	9	167,847	282,062
Total non-current assets		<u>358,312</u>	<u>538,585</u>
Total assets		<u>553,680</u>	<u>626,374</u>
Liabilities			
Current liabilities			
Trade and other payables	16	62,169	45,336
Borrowings	17	10,823	45,186
Lease liabilities	18	56,230	51,733
Employee benefits	19	12,870	16,254
Total current liabilities		<u>142,092</u>	<u>158,509</u>
Non-current liabilities			
Trade and other payables	16	14,602	29,204
Borrowings	17	-	289,420
Lease liabilities	18	74,676	127,092
Employee benefits	19	1,684	993
Lease make good provision	20	35,439	33,583
Total non-current liabilities		<u>126,401</u>	<u>480,292</u>
Total liabilities		<u>269,493</u>	<u>638,801</u>
Net assets/(liabilities)		<u>285,187</u>	<u>(12,427)</u>
Equity			
Issued capital	21	872,080	872,080
Accumulated losses	22	(586,893)	(884,507)
Total equity/(deficiency)		<u>285,187</u>	<u>(12,427)</u>

Financial Statements (cont.)

Statement of Changes in Equity for the year ended 30 June 2023

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	872,080	(901,773)	(29,693)
Profit after income tax expense	-	17,266	17,266
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	17,266	17,266
Balance at 30 June 2022	<u>872,080</u>	<u>(884,507)</u>	<u>(12,427)</u>
Balance at 1 July 2022	872,080	(884,507)	(12,427)
Profit after income tax expense	-	342,565	342,565
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	342,565	342,565
<i>Transactions with owners in their capacity as owners:</i>			
Dividends provided for	24 -	(44,951)	(44,951)
Balance at 30 June 2023	<u>872,080</u>	<u>(586,893)</u>	<u>285,187</u>

Financial Statements (cont.)

Statement of Cash Flows for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,118,911	632,126
Payments to suppliers and employees (inclusive of GST)		(589,120)	(520,020)
Interest and other finance costs paid		<u>(10,742)</u>	<u>(7,487)</u>
Net cash provided by operating activities	29	<u>519,049</u>	<u>104,619</u>
Cash flows from investing activities			
Payments for property, plant and equipment	12	(3,700)	-
Payments for intangible assets		<u>(13,274)</u>	<u>(13,274)</u>
Net cash used in investing activities		<u>(16,974)</u>	<u>(13,274)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	5,673
Repayment of lease liabilities	18	(61,458)	(59,670)
Dividends paid	24	(44,951)	-
Repayment of borrowings	17	<u>(323,783)</u>	<u>(33,560)</u>
Net cash used in financing activities		<u>(430,192)</u>	<u>(87,557)</u>
Net increase in cash and cash equivalents		71,883	3,788
Cash and cash equivalents at the beginning of the financial year		<u>22,990</u>	<u>19,202</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>94,873</u></u>	<u><u>22,990</u></u>

Notes to the Financial Statements

for the year ended 30 June 2023

Note 1 Reporting entity

The financial statements cover Healesville & District Community Enterprise Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Registered Office	Principal Place of Business
74 Dandenong Road	205 Maroondah Hwy
Frankston VIC 3199	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.

Note 2 Basis of preparation and statement of compliance

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 September 2023. The directors have the power to amend and reissue the financial statements.

Note 3 Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

Current and non-current classification

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

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

Note 3 Significant accounting policies (continued)

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 2023.

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 that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

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

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

Employee benefits provision

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

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

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

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time.

Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5 Economic dependency

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

The company operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

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

Note 5 Economic dependency (continued)

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

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services

Note 6 Revenue from contracts with customers

	2023	2022
	\$	\$
Margin income	912,730	458,199
Fee income	40,689	38,704
Commission income	68,966	67,304
	<u>1,022,385</u>	<u>564,207</u>

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:

<u>Revenue stream</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
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.

Note 6 Revenue from contracts with customers (continued)

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.

Margin income

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

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

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

Commission income

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

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

Fee income

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

Core 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

	2023	2022
	\$	\$
Market development fund	10,000	15,000
Rental income	16,370	7,910
Other income	1,411	-
	<u>27,781</u>	<u>22,910</u>

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.

<u>Revenue stream</u>	<u>Revenue recognition policy</u>
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.
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.

Note 8 **Expenses**

Employee benefit expenses

	2023	2022
	\$	\$
Wages and salaries	311,020	297,447
Superannuation contributions	31,416	30,011
Expenses related to long service leave	(4,375)	1,345
Other expenses	13,952	15,353
	<u>352,013</u>	<u>344,156</u>

Depreciation and amortisation expense

	2023	2022
	\$	\$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	22,539	22,540
Plant and equipment	1,569	1,445
	<u>24,108</u>	<u>23,985</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	27,034	28,774
Investment property	11,801	8,422
	<u>38,835</u>	<u>37,196</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	1,967	2,059
Franchise renewal fee	9,833	10,295
	<u>11,800</u>	<u>12,354</u>
	<u>74,743</u>	<u>73,535</u>

Finance costs

	2023	2022
	\$	\$
Bank loan interest paid or accrued	10,742	7,487
Lease interest expense	8,554	10,994
Unwinding of make-good provision	1,856	1,758
	<u>21,152</u>	<u>20,239</u>

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

Leases recognition exemption

	2023	2022
	\$	\$
Expenses relating to low-value leases	<u>9,524</u>	<u>13,088</u>

Note 8 Expenses (continued)

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

Note 9	Income tax		
		2023	2022
		\$	\$
<i>Income tax expense</i>			
Movement in deferred tax		(901)	(3,082)
Recoupment of prior year tax losses		115,116	8,930
		<u>114,215</u>	<u>5,848</u>
Aggregate income tax expense		<u>114,215</u>	<u>5,848</u>
<i>Prima facie income tax reconciliation</i>			
Profit before income tax expense		456,780	23,114
Tax at the statutory tax rate of 25%		114,195	5,779
Tax effect of:			
Non-deductible expenses		20	69
Income tax expense		<u>114,215</u>	<u>5,848</u>
		2023	2022
		\$	\$
<i>Deferred tax assets/(liabilities)</i>			
Tax losses		141,189	256,305
Property, plant and equipment		3,264	(1,116)
Employee benefits		3,888	4,312
Provision for lease make good		8,860	8,396
Lease liabilities		32,726	44,706
Right-of-use assets		(22,080)	(30,541)
Deferred tax asset		<u>167,847</u>	<u>282,062</u>

Accounting policy for income tax

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

Note 9 Income tax (continued)

Accounting policy for current tax

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

Accounting policy for deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

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

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

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

Note 10 **Cash and cash equivalents**

	2023	2022
	\$	\$
Cash at bank and on hand	<u>94,873</u>	<u>22,990</u>

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**

	2023	2022
	\$	\$
Trade receivables	<u>90,515</u>	<u>54,385</u>
Other receivables and accruals	3,770	3,758
Prepayments	<u>6,210</u>	<u>6,656</u>
	<u>9,980</u>	<u>10,414</u>
	<u>100,495</u>	<u>64,799</u>

Note 11 Trade and other receivables (continued)

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

	2023	2022
	\$	\$
Leasehold improvements - at cost	195,563	195,563
Less: Accumulated depreciation	<u>(138,014)</u>	<u>(115,475)</u>
	<u>57,549</u>	<u>80,088</u>
Plant and equipment - at cost	48,132	44,432
Less: Accumulated depreciation	<u>(38,929)</u>	<u>(37,360)</u>
	<u>9,203</u>	<u>7,072</u>
	<u><u>66,752</u></u>	<u><u>87,160</u></u>

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

	Leasehold improvements \$	Plant and equipment \$	Total \$
Balance at 1 July 2021	102,628	8,517	111,145
Depreciation	<u>(22,540)</u>	<u>(1,445)</u>	<u>(23,985)</u>
Balance at 30 June 2022	80,088	7,072	87,160
Additions	-	3,700	3,700
Depreciation	<u>(22,539)</u>	<u>(1,569)</u>	<u>(24,108)</u>
Balance at 30 June 2023	<u><u>57,549</u></u>	<u><u>9,203</u></u>	<u><u>66,752</u></u>

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.

Note 12 Property, plant and equipment (continued)

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.

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

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. There were no changes in estimates for the current reporting period.

Note 13	Right-of-use assets	2023	2022
		\$	\$
	Land and buildings - right-of-use	516,233	511,567
	Less: Accumulated depreciation	<u>(447,582)</u>	<u>(420,548)</u>
		<u><u>68,651</u></u>	<u><u>91,019</u></u>

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

	Land and buildings \$
Balance at 1 July 2021	148,487
Remeasurement adjustments	(28,694)
Depreciation expense	<u>(28,774)</u>
Balance at 30 June 2022	91,019
Remeasurement adjustments	4,666
Depreciation expense	<u>(27,034)</u>
Balance at 30 June 2023	<u><u>68,651</u></u>

Note 13 Right-of-use assets (continued)

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		
		2023	2022
		\$	\$
Investment property - sublease - at cost		35,298	34,979
Less: Accumulated depreciation		<u>(15,634)</u>	<u>(3,833)</u>
		<u>19,664</u>	<u>31,146</u>
 <i>Reconciliation</i>			
Reconciliation of the beginning and end of the current and previous financial year are set out below:			
Opening amount		31,146	4,589
Remeasurement adjustments		319	34,979
Depreciation expense		<u>(11,801)</u>	<u>(8,422)</u>
Closing amount		<u>19,664</u>	<u>31,146</u>
 Maturity analysis			
		2023	2022
		\$	\$
 <i>Minimum lease commitments receivable but not recognised in the financial statements:</i>			
1 year or less		15,837	15,837
Between 1 and 3 years		<u>11,878</u>	<u>27,715</u>
		<u>27,715</u>	<u>43,552</u>

The operating sublease is a 1-year lease which commenced March 2023 with 1 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.

Note 14 Investment properties (continued)

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 policies 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.

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.

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 recognises the sublease portion of the right-of-use asset within investment property.

Note 15 Intangible assets

	2023 \$	2022 \$
Franchise fee	32,053	32,053
Less: Accumulated amortisation	<u>(26,154)</u>	<u>(24,187)</u>
	<u>5,899</u>	<u>7,866</u>
Franchise renewal fee	110,266	110,266
Less: Accumulated amortisation	<u>(80,767)</u>	<u>(70,934)</u>
	<u>29,499</u>	<u>39,332</u>
	<u><u>35,398</u></u>	<u><u>47,198</u></u>

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

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2021	9,925	49,627	59,552
Amortisation expense	<u>(2,059)</u>	<u>(10,295)</u>	<u>(12,354)</u>
Balance at 30 June 2022	7,866	39,332	47,198
Amortisation expense	<u>(1,967)</u>	<u>(9,833)</u>	<u>(11,800)</u>
Balance at 30 June 2023	<u><u>5,899</u></u>	<u><u>29,499</u></u>	<u><u>35,398</u></u>

Note 15 Intangible assets (continued)

Accounting policy for intangible assets

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
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**

	2023	2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	3,356	709
Other payables and accruals	58,813	44,627
	<u>62,169</u>	<u>45,336</u>
<i>Non-current liabilities</i>		
Other payables and accruals	<u>14,602</u>	<u>29,204</u>

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		
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	2023 \$	2022 \$
<i>Current liabilities</i>		
Bank loans	10,823	45,186
<i>Non-current liabilities</i>		
Bank loans	-	289,420

Bank loans

Bank loans are repayable monthly, interest is recognised at rate of 5.28% (2022: 2.17%). 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		
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	2023 \$	2022 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	61,911	60,106
Unexpired interest	(5,681)	(8,373)
	<u>56,230</u>	<u>51,733</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	77,387	135,239
Unexpired interest	(2,711)	(8,147)
	<u>74,676</u>	<u>127,092</u>

Reconciliation of lease liabilities

	2023 \$	2022 \$
Opening balance	178,825	221,214
Remeasurement adjustments	4,985	6,287
Lease interest expense	8,554	10,994
Lease payments - total cash outflow	(61,458)	(59,670)
	<u>130,906</u>	<u>178,825</u>

Maturity analysis

	2023 \$	2022 \$
Not later than 12 months	61,911	60,106
Between 12 months and 5 years	77,387	135,239
	<u>139,298</u>	<u>195,345</u>

Note 18 Lease liabilities (continued)

Accounting policy for lease liabilities

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

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

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

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

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

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

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

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Healesville Branch	5.39%	5 years	N/A	N/A	September 2025

Note 19 **Employee benefits**

	2023	2022
	\$	\$
<i>Current liabilities</i>		
Annual leave	11,803	10,025
Long service leave	1,067	6,229
	<u>12,870</u>	<u>16,254</u>
<i>Non-current liabilities</i>		
Long service leave	<u>1,684</u>	<u>993</u>

Note 19 Employee benefits (continued)

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 **Lease make good provision**

	2023	2022
	\$	\$
Lease make good	<u>35,439</u>	<u>33,583</u>

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 the cost to remedy any damages caused during the removal process. The lease is due to expire on September 2025 at which time it is expected the face-value costs to restore the premises will fall due.

Note 20 Lease make good provision (continued)

Accounting policy for provisions

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

Note 21 **Issued capital**

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares – fully paid	899,026	899,026	899,026	899,026
Less: Equity raising costs	-	-	(26,946)	(26,946)
	<u>899,026</u>	<u>899,026</u>	<u>872,080</u>	<u>872,080</u>

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.

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

Dividends

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

Note 21 Issued capital (continued)

Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 259. As at the date of this report, the company had 306 shareholders (2022: 329 shareholders).

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

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

	2023	2022
	\$	\$
Accumulated losses at the beginning of the financial year	(884,507)	(901,773)
Profit after income tax expense for the year	342,565	17,266
Dividends paid (note 24)	(44,951)	-
Accumulated losses at the end of the financial year	<u>(586,893)</u>	<u>(884,507)</u>

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**

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

	2023	2022
	\$	\$
Unfranked dividend of 5 cents per share (2022: Nil)	<u>44,951</u>	<u>-</u>

Dividends proposed but not recognised at balance date

Since the end of the financial year, the board of directors has proposed to pay a unfranked dividend of 6 cents per share. The financial impact of the dividend, amounting to \$53,942, has not been recognised in the financial statements for the financial year ended 30 June 2023, and will be recognised in the subsequent financial statements.

Note 24 Dividends (continued)

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Note 25	Financial instruments	2023	2022
		\$	\$
Financial assets			
	Trade and other receivables	94,285	58,143
	Cash and cash equivalents	94,873	22,990
		<u>189,158</u>	<u>81,133</u>
Financial liabilities			
	Trade and other payables	76,771	74,540
	Lease liabilities	130,906	178,825
	Bank loans	10,823	334,606
		<u>218,500</u>	<u>587,971</u>

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.

Note 25 Financial instruments (continued)

Market risk

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

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest rates. 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 \$94,873 at 30 June 2023 (2022: \$22,990).

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

	2023		2022	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank loans	5.28%	<u>10,823</u>	2.17%	<u>334,606</u>
Net exposure to cash flow interest rate risk		<u><u>10,823</u></u>		<u><u>334,606</u></u>

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

Price risk

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

Credit risk

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

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

Liquidity risk

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

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.

Note 25 Financial instruments (continued)

Financing arrangements

Unused borrowing facilities at the reporting date:

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.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Bank loans	10,823	-	-	10,823
Trade and other payables	62,169	14,602	-	76,771
Lease liabilities	61,911	77,387	-	139,298
Total non-derivatives	134,903	91,989	-	226,892
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2022				
Bank loans	45,186	289,420	-	334,606
Trade and other payables	45,336	29,204	-	74,540
Lease liabilities	60,106	135,239	-	195,345
Total non-derivatives	150,628	453,863	-	604,491

Note 26 **Key management personnel disclosures**

The following persons were directors of Healesville & District Community Enterprise Limited during the financial year and/or are up to date of signing of these financial statements.

Bruce Leonard Argyle	Elise Hanrahan
Daniel Zemp	David Hill
Susan Ellen Jackson	Fiona Elizabeth Couper
Joanne Lee Bagg	Kieran Hulm
Leigh Harry	Helen Maree Wood
Nicole Lesleigh Slingsby	Caroline Anne Evans

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:

	2023 \$	2022 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,400	5,200
<i>Other services</i>		
Taxation advice and tax compliance services	4,500	-
General advisory services	3,530	2,720
Share registry services	2,194	-
	<u>10,224</u>	<u>2,720</u>
	<u>15,624</u>	<u>7,920</u>

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

	2023 \$	2022 \$
Profit after income tax expense for the year	342,565	17,266
Adjustments for:		
Depreciation and amortisation	74,743	73,535
Lease liabilities interest	8,554	10,994
Change in operating assets and liabilities:		
Increase in trade and other receivables	(35,696)	(8,977)
Decrease in deferred tax assets	114,215	5,848
Increase in trade and other payables	15,505	2,891
Increase/(decrease) in employee benefits	(2,693)	1,304
Increase in other provisions	1,856	1,758
Net cash provided by operating activities	<u>519,049</u>	<u>104,619</u>

Note 30 **Earnings per share**

	2023 \$	2022 \$
Profit after income tax	<u>342,565</u>	<u>17,266</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>899,026</u>	<u>899,026</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>899,026</u>	<u>899,026</u>
	Cents	Cents
Basic earnings per share	38.10	1.92
Diluted earnings per share	38.10	1.92

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, 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.

Note 33 **Events after the reporting period**

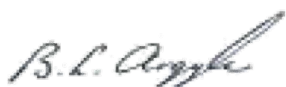
Apart from the dividend declared as disclosed in note 24, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

In the directors' opinion:

- The attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements
- The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements
- The attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date
- 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, Chair

Dated this 22 day of September 2023

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

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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: 22 September 2023



Joshua Griffin
Lead Auditor

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 communitybankhealesville

 **Bendigo Bank**