Annual Report 2023

Inverloch & District Financial Enterprises Limited

Community Bank
Inverloch & District

ABN 13 117 672 590

Contents

Chair's report

For year ending 30 June 2023

On behalf of Inverloch and District Financial Enterprises Limited I am pleased to present our report for the 2022/23 financial year. After the challenges of the last two financial periods, it is pleasing to note a return to profitability, which has enabled us to increase our support to community groups, grow our balance sheet, increase our hours for staff and provide a return for our shareholders with an interim dividend.

Overall, the company has had a strong financial result with a significant turnaround in profitability this year recording a Net Profit after Tax of $337 797. The company's balance sheet remains strong and continues to grow with net assets growth of 49.5% to $905,267 and growth in cash and cash equivalents of 69% to $893,954.

Revenue from customers increased by over 100% during the financial year partly as result of growth in our deposits but largely due to increases in RBA Cash rate which positively impacted Net Interest Margins under the revenue share arrangement. Expenses remained flat.

The branch team have continued to grow Business footings[1] during the year with overall growth of $6.1 million to $120.7 million which represents the highest level in the history of the Bank.

Noting the improved financial performance of the company, the Board has decided to pay a fully franked dividend of $0.09. This in addition to the unfranked interim dividend paid earlier this year. This represents the highest dividend we have paid in our history. We are pleased to be able to provide this return to our shareholders who have continued to provide support during the recent challenging periods.

As a Community Bank we are excited this year to be able to increase the number of contributions back to our local communities by 48% through a combination of grants, donations, and sponsorships and to a wide variety of groups. This is what differentiates us as a community bank and now that our financial position has stabilised, we look forward to continuing to increase our level of support over the coming years.

None of the financial results or community contributions could be achieved without the significant efforts of our branch team, including Penelope Lyttle and her staff. During the year we saw the departures of some of our long-standing team members and the introduction of some new team members. They all have a strong focus on the customer and the community and constantly looking for ways to improve the experience and outcomes for them, whilst continuing to grow the business. On behalf of all the Board I would like to sincerely thank them for their efforts. The Board has committed to provide continued investment in our team and our branch facilities to support them.

I would also like to thank and acknowledge the contribution of my fellow Directors who are all volunteers, and all participate at both Board and a number of sub-committees to ensure the success of the company. I would also like to thank the retiring Directors, Josh De Groot, Emily Hardy and Philp Clark for their support. Phil was Chair for three years and his commitment and leadership to the company during the COVID period has contributed to this years results.

The Inverloch and District Community Bank is now the only Bank represented in Inverloch with a full banking service, and I look forward to the continued support of our customers, shareholders, and the community to enable us to retain this position.

Jacqui Colwell

Jacqui Colwell
Chair
Inverloch & District Financial Enterprises Limited

1 This is a non IFRS measure of the business domiciled to the company from the franchisor. The footings are the underlying business which generates revenue under the Franchise Agreement. Business footings include loans, deposits, wealth products and other business.

Manager’s report

For year ending 30 June 2023

Community Bank Inverloch & District celebrated its 17th year of trading, with continued growth in our customer base increasing the total number of customers by 2.5% or 51 new customers to a total of 2419, and importantly an increase in the number of products per customer sitting at 2.256% from 2.188 the previous year. This demonstrates customers value our proposition. Our growth in home loans exceeded our target with overall growth in number of accounts of 7.5% to 323 and an increase in balance of 20.3%. to $30.8 million. This is reflective of the growth in housing and house prices in the region. Deposit accounts increased by 7.5%. to 3,511-, an increase of 245 accounts, however this was slightly below target with a slight overall increase in average balances of 1.8%, which is reflective of a very competitive rate environment for deposits throughout the year. There was a change in the mix of deposits due to the uncertainty of the market and with decrease in funds in at call accounts and an increase in fixed rate deposit once rates stabilised.

With the closing of Inverloch NAB, customers have been bringing their focus to banking locally with the foot traffic and enquiries increasing for term deposits, business accounts and consumer accounts.

We return our branch profits directly to the communities that generate them, with total contributions since inception being almost $600,000. The groups we have supported this year, either financially or in-kind are: Inverloch-Kongwak Football Netball Club, Bass Coast Health Inverloch Art Show Auxiliary, South Gippsland Yacht Club, Leongatha Golf Club, Inverloch RSL Sub-Branch, South Gippsland Bass Swimming Club, Bass Coast Cycle Challenge, Wonthaggi Croquet Club, Inverloch View Club, Motherless Daughters, Go Girls Foundation and Bass Coast-Wonthaggi Summer Show. Recognition to our shareholders as they create the biggest impact in our business as with you, we have been able to invest almost $600,000 back into our community.

A successful year for our branch with thanks to our amazing staff, volunteer Board members and our shareholders. I would like to personally thank our dedicated staff for the willingness to go the extra mile, friendly and supportive customer service and drive to get the right solutions for our customers. Our volunteer Board members and Directors have again been committed to supporting myself and the team over the last 12months, to which we thank you for your guidance and expertise on some of the challenges we have faced over this time.

We said goodbye to a few familiar faces, Siobain, Tracey and Melinda Holland however, we also welcomed Melinda Wind, Kasey Davis and Maxime Tomasi. During this process, we were able to structure staff hours to enable flexibility and availability to better support our customers.

We held a ‘Connecting Community’ night in April 2023, this was held after hours in the branch and was a huge success. It allowed local businesses and community groups to meet and discuss who they are in the community and what they do. We had a lot of positive feedback regarding the night and the community wants us to hold another night and we think it’s a great idea too!

The team and I are committed to our customers and our community, we are driven by the difference that our contributions make in the community and surrounding area’s. Please refer your family, friends and colleagues to Community Bank Inverloch & District to enable us to continue the amazing support we provide to the community we live in.

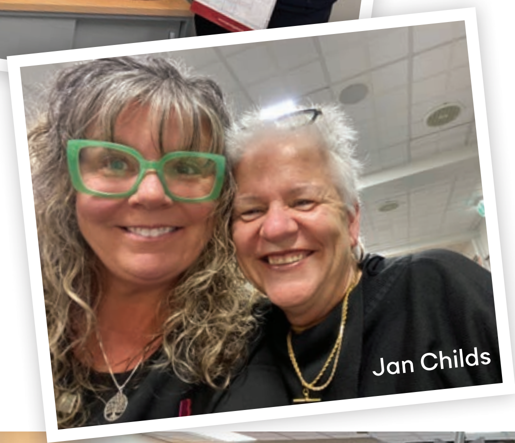
What the next 12 months looks like for us? As the only bank in town, we want to be the bank of choice for our community and surrounds! We are looking forward to a few changes and upgrades in the branch and getting back to normal with getting out and about with our groups, clubs and businesses. See you out there!

Penelope Lyttle
Branch Manager

It's all about Community

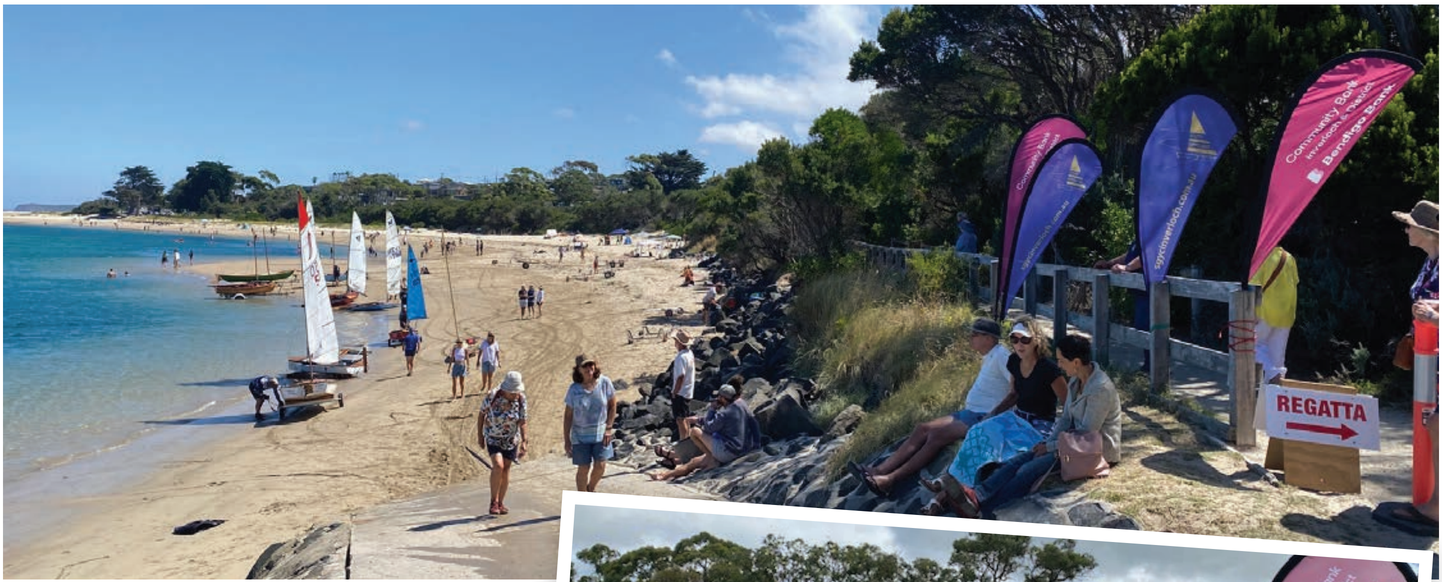
Inverloch Art Show

Community Bank Inverloch staff

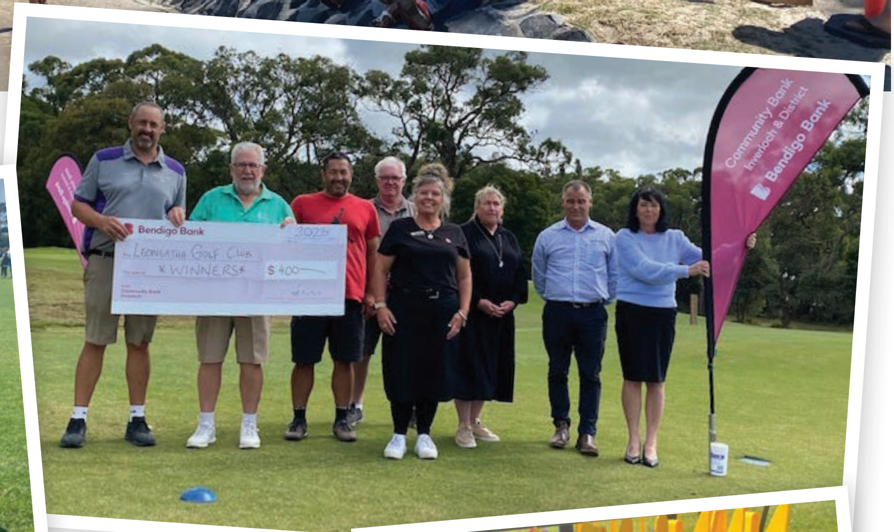


Jan Childs

Community Engagement Night



SGYC Classic Wooden Dinghy Regatta



Leongatha Golf Club

Inverloch Kongwak Football Club

Community Bank Inverloch supports local clubs

Branch Community noticeboard

Bendigo and Adelaide Bank report

For year ending 30 June 2022

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

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

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

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

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

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

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

Community Bank National Council report

For year ending 30 June 2023

As a shareholder in your local Community Bank, you belong to an incredible social enterprise network that to date has reinvested more than $300 million in our local communities.

And now, as we celebrate our 25th anniversary milestone, we are evolving even further by sharpening our focus on our community enterprises – separate to the banking side of the business. We are uniting our Community Bank companies through a shared vision of being the most influential network of social enterprises in Australia. This means we'll have a bigger and better story to tell about how we collectively deliver impact.

Our future is together because of our extraordinary strength and aligned partnership with each other, and with our partner, Bendigo and Adelaide Bank. Our partnership with the Bank has been fashioned out of shared effort, risk and reward and it continues to serve us well.

And now even with the digital evolution upon us, the foundation of our future still relies on the guiding principles of the Community Bank model. We are community enterprises and the custodians of this incredible model that collaborates with local communities for social good. The objective of our Community Bank network remains the same. Our evolution will be evidenced by the channels that we use to connect with our customers and communities, digital by design and human where it matters.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches. The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer Directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country.

The Community Bank network creates impact though grants, donations and sponsorships that connect with and care for generations of Australians. Network investment ranges from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. We also facilitate and attract partnerships to help support much needed community projects.

The Community Bank National Council (CBNC) is the voice of the Community Bank network. The role of the CBNC is to advocate and influence on behalf of the 240 community enterprises with its partner. It has also been the role of the CBNC to oversee the development of the Community Network Strategy which exists to ensure the ongoing sustainability of this unique collective of social enterprises.

In September this year our Community Bank network celebrates 25 years. It's a tremendous milestone and one which we're hugely proud of achieving. We have never been stronger and we look forward to continuing to serve our shareholders, customers and communities as we embrace our exciting future.

Warm regards

Sarah Franklyn
CBNC Chair

Directors’ report

Inverloch & District Financial Enterprises Limited
Directors' report
30 June 2023

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

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

Name:	Jacqueline Anne Colwell
Title:	Non-executive director
Experience and expertise:	Bachelor of Economics, GAICD, FFINSIA. An experienced non-executive director and executive with 30 years experience in the financial services industry including 10 years board level experience. Extensive experience in utilising risk, regulatory and compliance, financial oversight, governance, and business transformation skills. She is also a non-executive director of other institutions in the financial services industry including Wise Australia, where she is also Chair of the Risk Committee, a non-executive director of Catholic Development Fund where she is also a member of the Finance committee. She also holds a number of roles in the not-for-profit sector. In an executive capacity Jacqui was the Co-Founder and Chief Risk Officer of market disrupter Judo Bank, where she was responsible for the oversight of all aspects of Risk Management and part of the executive team that designed, developed, and executed the strategy that built a bank from a start-up to a Bank that is ASX listed. Jacqui has also held senior executive roles at NAB where she was the Chief Risk Officer of Retail Banking and was also the State General Manager for NAB's Business Bank for Victoria, Tasmania, and SA/NT.
Special responsibilities:	Chair (appointed 22 November 2022), Finance & Risk Committee, People Committee and Business Development, Marketing & Sponsorship Committee

Name:	Tristan Andrew Creed
Title:	Non-executive director
Experience and expertise:	Chartered Accountant & Tax Agent. Director of Feathertop Pty Ltd. Director of Imporex Pty Ltd. Director of Biathlon Australia Ltd. Bachelor of Business (Accountancy). Graduate Diploma (CA).
Special responsibilities:	Treasurer, Finance & Risk and Business Development, Marketing & Sponsorship Committee

Name:	Susan Joy Ruffin
Title:	Non-executive director
Experience and expertise:	Susan is a Legal Practitioner. BA (Honours) LLB.
Special responsibilities:	Finance & Risk Committee

Name:	Kerralie Joy Shaw
Title:	Non-executive director
Experience and expertise:	Bachelor of Arts, Graduate Diploma Market Modelling, Graduate Australian Institute of Company Directors. Kerralie has over 25 years experience consulting to large corporations about customer experience (CX) and marketing strategy. Expertise in consumer buyer behaviour in B2C. Held senior positons client and agency side. Full member The Research Society. Active member Inverloch Lifesaving Club.
Special responsibilities:	Chair of Business Development, Marketing & Sponsorship Committee

Name:	Thomas James McQualter
Title:	Non-executive director
Experience and expertise:	Bachelor of Laws / Bachelor of Arts. Masters of Organisations Leadership. Has held senior management positions within local government, water industry and private industry. His skills are in the field of governance, finance, risk, organisational development and leadership. Current member of Inverloch Kongwak Football Netball Club and Inverloch Cricket Club.
Special responsibilities:	Chair of Finance & Risk Committee

Name:	Mark Gerard McCormack
Title:	Non-executive director
Experience and expertise:	Bachelor of Civil Engineering, Fellow Institute of Engineers Australia (Eng Exec), Chartered Professional Engineer (CPEng), Engineer of Water Supply, Graduate Australian Institute of Company Directors. Over 30 years of experience in engineering and management roles in South East Water and Utility Services. Life member of Forest Hill Cricket Club. Previous committee and association roles in Little Athletics and local football clubs.
Special responsibilities:	Deputy Chair, Finance & Risk Committee

Name:	Rosieanne "Dona" Antoinette Eloise Tantirimudalige Dona
Title:	Non-executive director
Experience and expertise:	Bachelor of Engineering (civil – honours), Masters in Public Policy & Management, GAICD, MIEAust, MIWA. Dona has 25+ years of experience in the water sector across a range of leadership roles. She is the current Managing Director of Westernport Water, the Chair of South-East Monash Legal Services, past Chair of Women's Health in the South East, and sits on the Board of the Institute of Water Administrators. She is also a Member of the Australian Institute of Company Directors, holds a Masters in Public Policy & Management, and a Bachelor of Engineering.
Special responsibilities:	Business Development & Marketing Sponsorship Committee, Chair of People Committee

Name:	Philip David Clark
Title:	Non-executive director (resigned 30 June 2023)
Experience and expertise:	Phil was appointed Chair on 29th June 2019 and is also Chair of Westernport Water. He also has experience as a Non-Executive Director of City West Water Limited, as a Non-Executive Director and Chair of the Finance & Audit and Remuneration Committees of ASX Listed African Energy Resources Limited, ATEC International, a start-up social enterprise providing bio-digesters to rural Cambodians and Chair of Engineers Without Borders. Phil is a previous Chair of the Australasian Institute of Mining & Metallurgy, Melbourne Branch. Phil's earlier engineering and executive management career with BHP and Australian Iron and Steel, spans almost four decades, including extensive international experience. He holds a Bachelor of Engineering, a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors. Other directorships: South Gippsland Water.
Special responsibilities:	Business Development & Marketing Sponsorship Committee, People Committee, Finance & Risk Committee

Name:	Johan de Groot
Title:	Non-executive director (resigned 10 November 2022)
Experience and expertise:	Skills Plus board member for 4 years, RMIT School of Printing and Graphic Arts Board Member 3 years. Dipolma of Computer programming & Systems Analysis. Managing Director of Longbeach Printing 30 yrs. Board Member Rotary Club of South Launceston. President of Rotary Club of Inverloch. Board Member Mount Hotham Race Club.
Special responsibilities:	Business Development & Marketing Sponsorship Committee

Name:	Emily Beatrice Louise Hardy
Title:	Non-executive director (resigned 20 September 2022)
Experience and expertise:	Self-employed Brand and Marketing Consultant. Bachelor of Arts, Senior Executive MBA, Mini MBAs in Marketing and Brand Management. Digital marketing and eCommerce leadership roles in the Netherlands and Australia.
Special responsibilities:	Business Development & Marketing Sponsorship Committee

Company secretary

The company secretary is Mark McCormack. Mark was appointed to the position of company secretary on 5 December 2018.

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

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

Review of operations
The profit for the company after providing for income tax amounted to $337,797 (30 June 2022: loss of $45,612).

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 cents)	37,500

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 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 (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

	Board		Finance & Risk Committee		Business Development, Marketing & Sponsorship Committee		People Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended		
Jacqueline Anne Colwell	10	9	4	4	10	4	1	1
Tristan Andrew Creed	10	10	4	3	10	9	-	-
Susan Joy Ruffin	10	7	4	1	-	-	-	-
Kerralie Joy Shaw	10	10	-	-	10	8	-	-
Thomas James McQualter	10	5	4	3	-	-	-	-
Mark Gerard McCormack	10	7	4	2	-	-	-	-
Philip David Clark	10	8	4	4	10	2	1	1
Rosieanne "Dona" Antoinette Eloise Tantirimudalige Dona	10	6	-	-	10	7	1	1
Johan de Groot	3	1	-	-	1	1	-	-
Emily Beatrice Louise Hardy	2	2	-	-	-	-	-	-

Directors' benefits
No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 24 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests
The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Jacqueline Anne Colwell	-	-	-
Tristan Andrew Creed	5,001	-	5,001
Susan Joy Ruffin	-	-	-
Kerralie Joy Shaw	-	-	-
Thomas James McQualter	-	-	-
Mark Gerard McCormack	-	-	-
Philip David Clark	7,000	-	7,000
Rosieanne "Dona" Antoinette Eloise Tantirimudalige Dona	-	-	-
Johan de Groot	-	-	-
Emily Beatrice Louise Hardy	-	-	-
	-	-	-

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

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

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

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

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

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

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

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

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

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

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

On behalf of the directors

Jacqui Colwell

Jacqueline Anne Colwell
Chair

15 August 2023

Auditor's independence declaration

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

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Inverloch & District Financial Enterprises Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 15 August 2023

Joshua Griffin
Lead Auditor

Financial statements

Inverloch & District Financial Enterprises Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue from contracts with customers	6	946,259	431,322
Other revenue		10,000	15,000
Finance revenue	7	16,944	1,837
Total revenue		973,203	448,159
Employee benefits expense	8	(312,325)	(301,910)
Advertising and marketing costs		(9,870)	(3,560)
Occupancy and associated costs		(21,308)	(24,160)
System costs		(16,418)	(17,474)
Depreciation and amortisation expense	8	(63,602)	(63,678)
Finance costs		(4,932)	(6,360)
General administration expenses		(82,606)	(83,946)
Total expenses before community contributions and income tax		(511,061)	(501,088)
Profit/(loss) before community contributions and income tax (expense)/benefit		462,142	(52,929)
Charitable donations and sponsorships expense		(11,204)	(7,550)
Profit/(loss) before income tax (expense)/benefit		450,938	(60,479)
Income tax (expense)/benefit	9	(113,141)	14,867
Profit/(loss) after income tax (expense)/benefit for the year	19	337,797	(45,612)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		337,797	(45,612)
		Cents	**Cents**
Basic earnings per share	27	45.04	(6.08)
Diluted earnings per share	27	45.04	(6.08)

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

Inverloch & District Financial Enterprises Limited
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	10	893,954	528,288
Trade and other receivables	11	100,620	37,705
Total current assets		994,574	565,993
Non-current assets			
Property, plant and equipment	12	44,185	37,913
Right-of-use assets	13	111,897	153,859
Intangible assets	14	34,686	47,351
Deferred tax assets	9	-	12,910
Total non-current assets		190,768	252,033
Total assets		1,185,342	818,026
Liabilities			
Current liabilities			
Trade and other payables	15	47,835	28,517
Lease liabilities	16	42,580	41,102
Current tax liabilities	9	93,695	-
Employee benefits	17	5,264	1,857
Total current liabilities		189,374	71,476
Non-current liabilities			
Trade and other payables	15	14,233	28,466
Lease liabilities	16	69,933	113,114
Deferred tax liabilities	9	6,535	-
Total non-current liabilities		90,701	141,580
Total liabilities		280,075	213,056
Net assets		905,267	604,970
Equity			
Issued capital	18	729,547	729,547
Retained earnings/(accumulated losses)	19	175,720	(124,577)
Total equity		905,267	604,970

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

Inverloch & District Financial Enterprises Limited
Statement of changes in equity
For the year ended 30 June 2023

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2021		729,547	(78,965)	650,582
Profit after income tax expense		-	(45,612)	(45,612)
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	(45,612)	(45,612)
Balance at 30 June 2022		729,547	(124,577)	604,970

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2022		729,547	(124,577)	604,970
Profit after income tax expense		-	337,797	337,797
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	337,797	337,797
Transactions with owners in their capacity as owners:				
Dividends provided for	21	-	(37,500)	(37,500)
Balance at 30 June 2023		729,547	175,720	905,267

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

Inverloch & District Financial Enterprises Limited
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)		1,002,263	466,330
Payments to suppliers and employees (inclusive of GST)		(527,024)	(483,712)
Interest received		2,748	1,837
Income taxes refunded		-	8,897
Net cash provided by/(used in) operating activities	26	477,987	(6,648)
Cash flows from investing activities			
Payments for property, plant and equipment		(15,247)	-
Payments for intangible assets		(12,939)	(12,939)
Net cash used in investing activities		(28,186)	(12,939)
Cash flows from financing activities			
Dividends paid	21	(37,500)	-
Repayment of lease liabilities	16	(46,635)	(46,036)
Net cash used in financing activities		(84,135)	(46,036)
Net increase/(decrease) in cash and cash equivalents		365,666	(65,623)
Cash and cash equivalents at the beginning of the financial year		528,288	593,911
Cash and cash equivalents at the end of the financial year	10	893,954	528,288

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

Notes to the financial statements

Inverloch & District Financial Enterprises Limited
Notes to the financial statements
30 June 2023

Note 1. Reporting entity

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 16C Williams Street, Inverloch VIC.

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 15 August 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

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

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

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

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

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

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

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

Note 3. Significant accounting policies (continued)

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2023.

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

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

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

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

Impairment of non-financial assets
The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions.

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

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

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date.

Note 5. Economic dependency

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

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	861,753	352,231
Fee income	34,529	34,195
Commission income	49,977	44,896
	946,259	431,322

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under *AASB 15 Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue stream	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

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

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

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

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

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

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

Note 6. Revenue from contracts with customers (continued)

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

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

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

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

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

Note 7. Finance revenue

	2023 $	2022 $
Term deposits	16,944	1,837

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

Note 8. Expenses

Employee benefits expense

	2023 $	2022 $
Wages and salaries	250,565	245,262
Superannuation contributions	26,630	24,655
Expenses related to long service leave	2,505	1,127
Other expenses	32,625	30,866
	312,325	301,910

Note 8. Expenses (continued)

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets		
Leasehold improvements	7,488	7,488
Plant and equipment	1,487	1,563
	8,975	9,051
Depreciation of right-of-use assets		
Leased land and buildings	41,962	41,962
Amortisation of intangible assets		
Franchise fee	2,111	2,111
Franchise renewal process fee	10,554	10,554
	12,665	12,665
	63,602	63,678

Leases recognition exemption

	2023 $	2022 $
Expenses relating to low-value leases	5,301	6,421
Expenses relating to short-term leases	-	900
	5,301	7,321

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.

The company paid for the right to use a self-storage unit. The lease agreement was terminated during February 2022. As such the lease was assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.

Note 9. Income tax

	2023 $	2022 $
Income tax expense/(benefit)		
Current tax	93,696	-
Movement in deferred tax	4,173	(1,907)
Recoupment of prior year tax losses	15,272	-
Future income tax benefit attributable to losses	-	(12,960)
Aggregate income tax expense/(benefit)	113,141	(14,867)
Prima facie income tax reconciliation		
Profit/(loss) before income tax (expense)/benefit	450,938	(60,479)
Tax at the statutory tax rate of 25%	112,735	(15,120)
Tax effect of:		
Non-deductible expenses	406	253
Income tax expense/(benefit)	113,141	(14,867)

	2023 $	2022 $
Deferred tax attributable to:		
expense accruals	1,049	775
employee provisions	1,316	465
lease liabilities	28,128	38,554
carried-forward tax losses	-	15,272
income accruals	(3,753)	(205)
property, plant and equipment	(5,301)	(3,486)
right-of-use assets	(27,974)	(38,465)
Deferred tax asset/(liability)	(6,535)	12,910

	2023 $	2022 $
Provision for income tax	93,695	-

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

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

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

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

Note 9. Income tax (continued)

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

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

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

Note 10. Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	393,954	63,288
Term deposits	500,000	465,000
	893,954	528,288

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	79,408	29,788
Accrued income	15,014	818
Prepayments	6,198	7,099
	21,212	7,917
	100,620	37,705

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	114,583	114,583
Less: Accumulated depreciation	(92,992)	(85,504)
	21,591	29,079
Plant and equipment - at cost	74,152	58,904
Less: Accumulated depreciation	(51,558)	(50,070)
	22,594	8,834
	44,185	37,913

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	36,567	10,397	46,964
Depreciation	(7,488)	(1,563)	(9,051)
Balance at 30 June 2022	29,079	8,834	37,913
Additions	-	15,247	15,247
Depreciation	(7,488)	(1,487)	(8,975)
Balance at 30 June 2023	21,591	22,594	44,185

Accounting policy for property, plant and equipment
Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold improvements	6 to 40 years
Plant and equipment	1 to 20 years

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

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

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

Changes in estimates
During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 13. Right-of-use assets

	2023 $	2022 $
Land and buildings - right-of-use	282,454	282,454
Less: Accumulated depreciation	(170,557)	(128,595)
	111,897	153,859

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	195,821
Depreciation expense	(41,962)
Balance at 30 June 2022	153,859
Depreciation expense	(41,962)
Balance at 30 June 2023	111,897

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 16 for more information on lease arrangements.

Note 14. Intangible assets

	2023 $	2022 $
Franchise fee	43,421	43,421
Less: Accumulated amortisation	(37,640)	(35,529)
	5,781	7,892
Franchise renewal fee	167,105	167,105
Less: Accumulated amortisation	(138,200)	(127,646)
	28,905	39,459
	34,686	47,351

Note 14. Intangible assets (continued)

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	10,003	50,013	60,016
Amortisation expense	(2,111)	(10,554)	(12,665)
Balance at 30 June 2022	7,892	39,459	47,351
Amortisation expense	(2,111)	(10,554)	(12,665)
Balance at 30 June 2023	5,781	28,905	34,686

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

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

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

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

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

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

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

Note 15. Trade and other payables

	2023 **$**	**2022** **$**
Current liabilities		
Trade payables	6,656	6,692
Other payables and accruals	41,179	21,825
	47,835	28,517
Non-current liabilities		
Other payables and accruals	14,233	28,466

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

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

Note 16. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	46,033	46,034
Unexpired interest	(3,453)	(4,932)
	42,580	41,102
Non-current liabilities		
Land and buildings lease liabilities	72,287	118,922
Unexpired interest	(2,354)	(5,808)
	69,933	113,114

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	154,216	197,728
Remeasurement adjustments	-	(3,836)
Lease interest expense	4,932	6,360
Lease payments - total cash outflow	(46,635)	(46,036)
	112,513	154,216

Maturity analysis

	2023 $	2022 $
Not later than 12 months	46,033	46,034
Between 12 months and 5 years	72,287	118,922
	118,320	164,956

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

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.

Note 16. Lease liabilities (continued)

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

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

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Inverloch branch	3.54%	5 years	1 x 5 years	No	March 2026

Note 17. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	5,264	1,857

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.

Accounting policy for seconded staff
Bendigo Bank seconds employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

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.

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 18. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	750,010	750,010	750,010	750,010
Less: Equity raising costs	-	-	(20,463)	(20,463)
	750,010	750,010	729,547	729,547

Accounting policy for issued capital
Ordinary shares are recognised at the fair value of the consideration received by the company being $1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Rights attached to issued capital

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

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

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

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

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

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

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 187. As at the date of this report, the company had 197 shareholders (2022: 197 shareholders).

Note 18. Issued capital (continued)

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

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

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 19. Retained earnings/(accumulated losses)

	2023 $	2022 $
Accumulated losses at the beginning of the financial year	(124,577)	(78,965)
Profit/(loss) after income tax (expense)/benefit for the year	337,797	(45,612)
Dividends paid (note 21)	(37,500)	-
Retained earnings/(accumulated losses) at the end of the financial year	175,720	(124,577)

Note 20. Capital management

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

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

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

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

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

Note 21. Dividends

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 cents)	37,500	-

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

Franking credits

	2023 $	2022 $
Franking account balance at the beginning of the financial year	-	8,896
Franking credits (debits) arising from income taxes paid (refunded)	-	(8,896)
	-	-
Franking transactions that will arise subsequent to the financial year end:		
Franking credits (debits) that will arise from payment (refund) of income tax	93,695	-

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

Note 22. Financial instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	94,422	30,606
Cash and cash equivalents	893,954	528,288
	988,376	558,894
Financial liabilities		
Trade and other payables	62,068	56,983
Lease liabilities	112,513	154,216
	174,581	211,199

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

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

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

Note 22. Financial instruments (continued)

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

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

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

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest rates. The company held cash and cash equivalents of $893,954 at 30 June 2023 (2022: $528,288).

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

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

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

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

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

2023	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	47,835	14,233	-	62,068
Lease liabilities	46,033	72,287	-	118,320
Total non-derivatives	93,868	86,520	-	180,388

Note 22. Financial instruments (continued)

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	28,517	28,466	-	56,983
Lease liabilities	46,034	118,922	-	164,956
Total non-derivatives	74,551	147,388	-	221,939

Note 23. Key management personnel disclosures

The following persons were directors of Inverloch & District Financial Enterprises Limited during the financial year and/or up to the date of signing of these Financial Statements.

Jacqueline Anne Colwell	Mark Gerard McCormack
Tristan Andrew Creed	Philip David Clark
Susan Joy Ruffin	Rosieanne "Dona" Antoinette Eloise Tantirimudalige Dona
Kerralie Joy Shaw	Johan de Groot
Thomas James McQualter	Emily Beatrice Louise Hardy

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

Note 24. Related party transactions

The following transactions occurred with related parties:

	2023 $	2022 $
Tristan Andrew Creed received remuneration for accounting services carried out by Feathertop Business Services. The total benefit received was:	15,619	15,545

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

Note 25. Remuneration of auditors

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

	2023 $	2022 $
Audit services		
Audit or review of the financial statements	5,400	5,200
Other services		
Taxation advice and tax compliance services	660	630
General advisory services	2,100	1,500
Share registry services	4,221	2,970
	6,981	5,100
	12,381	10,300

Note 26. Reconciliation of profit/(loss) after income tax to net cash provided by/(used in) operating activities

	2023 $	2022 $
Profit/(loss) after income tax (expense)/benefit for the year	337,797	(45,612)
Adjustments for:		
Depreciation and amortisation	63,602	63,677
Lease liabilities interest	4,932	6,360
Change in operating assets and liabilities:		
Increase in trade and other receivables	(62,915)	(29,637)
Decrease in income tax refund due	-	8,896
Decrease/(increase) in deferred tax assets	12,910	(12,910)
Increase in trade and other payables	18,024	2,677
Increase in provision for income tax	93,695	-
Increase/(decrease) in deferred tax liabilities	6,535	(1,956)
Increase in employee benefits	3,407	1,857
Net cash provided by/(used in) operating activities	477,987	(6,648)

Note 27. Earnings per share

	2023 $	2022 $
Profit/(loss) after income tax	337,797	(45,612)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	750,010	750,010
Weighted average number of ordinary shares used in calculating diluted earnings per share	750,010	750,010
	Cents	**Cents**
Basic earnings per share	45.04	(6.08)
Diluted earnings per share	45.04	(6.08)

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Inverloch & District Financial Enterprises Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Note 28. Commitments

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

Note 29. Contingencies

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

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors’ declaration

Inverloch & District Financial Enterprises Limited
Directors' declaration
30 June 2023

In the directors' opinion:

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

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

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

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

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

On behalf of the directors

Jacqui Colwell

Jacqueline Anne Colwell
Chair

15 August 2023

Independent audit report

Andrew Frewin Stewart
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Independent auditor's report to the Directors of Inverloch & District Financial Enterprises Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Inverloch & District Financial Enterprises Limited (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Inverloch & District Financial Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Andrew Frewin Stewart
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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 15 August 2023

Joshua Griffin
Lead Auditor

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Bendigo Bank