Annual Report 2022

Knox Community Financial Services Limited

Community Bank
Ferntree Gully

ABN 88 093 823 708

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Chair's report

For year ending 30 June 2022

I am pleased to present the 22nd Annual Report of Knox Financial Community Services Limited. Despite our hopes that 2021/22 would be significantly better than 2020/21, we still respond to a pandemic that has challenged and disrupted life as we know it.

The extraordinary challenges that COVID-19 has presented have

seen many changes in banking and our company. After business strategy meetings and future planning sessions, we made two decisions for the company's future success.

1) The introduction of a Lending Hub with mobile lending capacity. This has allowed us to serve our customer base better and ensure that we can service our customers in the way that they need us, online, face to face after hours or in the branch.

2) Following an in-depth review of customer banking habits, transaction activity and visitor numbers, the Board decided to consolidate the operations of our two branches into one. Community Bank Rowville had been temporarily closed since early March 2022, and the site did not reopen. The decision to consolidate the two branches was necessary due to the rapidly changing nature of how people now choose to conduct their banking and the proximity of the two branches.

These two significant changes will ensure that the Community Bank Company continues to return profits to its local community.

Returning profit to the community is our point of difference. The banking of our fabulous customers makes a real difference simply because they bank with us. During 2021/22, we invested a total of $293,967.75 in our community as sponsorships, donations, grants and funds invested for future community projects, along with dividend payments.

Our Community Grants and Sponsorship Program supported over 49 organisations, schools and clubs with funding to support their projects and initiatives. Our grant applications were for a variety of categories and purposes and have resulted in many positive outcomes. These have included mental health support for youth, internet access for older citizens, feeding hundreds of hungry tummies, local art exhibitions, recognition of our army of local volunteers and actioning environmental issues we face locally.

The support of our shareholders and customers has never been so essential as we continue to grow the business to ensure our success and enable us to invest more in our communities. We were, therefore, happy to declare a dividend of 12.5 cents per share, the total payment to shareholders of $97593.75.

Thank you to the many residents who have realised that whom they bank with does matter – they know that their everyday banking helps create, support and sustain positive change in their local community.

Dividends to Shareholders		
Financial Year	Amount Per Share	Franking Level
2001-02	0.0	
2002-03	0.0	
2003-04	0.08	Franked
2004-05	0.0	
2005-06	0.0	
2006-07	0.0	
2007-08	0.08	Franked
2008-09	0.10	Franked
2009-10	0.12	Franked
2010-11	0.15	Franked
2011-12	0.15	Franked
2012-13	0.175	Franked
2013-14	0.175	Franked
2014-15	0.15	Franked
2015-16	0.15	Franked
2016-17	0.15	Franked
2017-18	0.15	Franked
2018-19	0.15	Franked
2019-20	0.12	Franked
2020-21	0.125	Franked
Total of amount paid in dividend since inception - $2.20		

Chair’s report (continued)

We also thank the many community groups that have effectively continued to offer opportunities for our local community. In addition, hundreds of residents in our broader communities have volunteered to give back to their communities.

I want to take the opportunity to thank our shareholders for your feedback and the faith you continue to share with us that drives us to feed into the prosperity of our customers, not off it.

Thank you to our Branch Manager Tina Doran and our branch team. Yes, they get paid, but you can’t buy the commitment and care that our branch team have shown. We were proud, yet sad, to have Sally and Anna retire with over 30 years of service between them. Tina has led her team with clear focus, skill and compassion and has full support from the Board. The team proudly won Branch of the Year for the region. This was due to the customer service, leadership support and community projects they focused on over the year.

I would also like to thank my fellow skilled and passionate Directors, who have worked hard throughout the year to support our Management, staff and communities. Good governance is our foundation, and giving back is our mission. They put in the time to ensure the business grows and provides financial support to the local Community, Sporting and Social groups.

Shareholders can be assured that your Board continues to meet high standards of corporate governance, performance and compliance. I want to extend a heartfelt ‘thank you’ to Hurtle Lupton, who resigned from the Board in 2022. He has made a remarkable difference through his dedication and continued support. Hurtle’s ideas, input, and enthusiasm have been most helpful and have assisted us in making valuable improvements to the business and our local community.

A special thank you to Etienne Clauw, who agreed to be Deputy Chair and has been an invaluable mentor to me, and to Tina Leslie, whose dedication and skill keeps us organised and connected.

Eve John
Chair

Manager's report

For year ending 30 June 2022

Community Bank Ferntree Gully is now in its twenty second year of operation and has endured two if its biggest challenges, the COVID-19 pandemic and record low interest rates.

Having said that, last financial year, we managed to increase our Loan book by $10.5 million and our Deposit book by $15.5 million.

Our combined deposits and loans now sit at a remarkable $278 million.

Community Bank Ferntree Gully recently won Branch of the Year and Community Contribution award for which we are all very proud.

Please continue to play your part by spreading the work about the very personal an professional banking services provided by Community Bank Ferntree Gully, and in doing so, this will ensure that your branch continues to grow and that our commitment and contribution to our local community will continue to grow.

The above results would not have been possible without the contribution of many people.

Firstly, to my staff who I would like to name individually as they are a key driver of our business. Tarryn Tibballs, Julianne Fagan, Valerie Willoughby, Sheena Nguyen and Lisa Hulley.

To my Senior Manager Tina Leslie thank you for your ongoing support.

Shout out to Sally Walker and Anna Passarelli who retired.

And to Rebecca Sellars who has moved onto greener pastures in the UK; we miss you very much.

We have appointed a new staff member Jin Ratnatunga, who has already become a valued member of the team.

To those shareholders who are yet to bring their banking across to Community Bank Ferntree Gully, I invite you to call into the branch and discuss your needs with our team.

To those shareholders who have supported Community Bank Ferntree Gully, I thank you for your current, continued and ongoing support.

To our Directors who work tirelessly through the challenges of supporting us through these difficult times. And to our Chair, Eve John your mentoring has been invaluable.

I continue to enjoy a strong working relationship with all members of the Board and know that I can readily call upon Board members for advice at any time.

Lastly to our customers who continue to support us and ultimately enable us to maintain banking services in the Ferntree Gully area a big thank you.

Tina Doran

Tina Doran
Branch Manager
Community Bank Ferntree Gully

Community investments

Community Bank Ferntree Gully and Rowville community groups and organisations supported to 31 June 2022.		
Coonara Community House	Ferntree Gully Football Netball Club	Rotary Club of Ferntree Gully
Ferntree Gully News	Knox Historical Society	Lysterfield Netball Club
Rowville Lions Club	Ferntree Gully TOWN Club	Knox & District Toy Library
Foothills Community Care	Bena Angliss Kindergarten	FTG Traders Association
Knox Basketball Association	Boronia Lawn Bowls Club	Regency Calisthenic College
Forest Road Playgroup	All Abilities Cricket Ferntree Gully	Peace & Loyalty Lodge
FTG Eagles Football Netball Club	Rowville Football Club	Rowville Cricket Club
FTG Footballers Cricket Club	Victoria Day Awards	QLD Flood Relief
Rowville Secondary College	Gayle's Community Share Space	Ferntree Gully CFA
Glengollan Village	Knox Italian Community Club	Knox Environment Society
Rotary Club of Knox	Knox Toy Library	Impact For Women
Food Bank Victoria	NSW Flood Relief	Rose Street Op Shop
Mountain District Learning Centre	Riding for Disabled Association	Rowville Lysterfield News
South East Eagles Basketball	Ferntree Gully Arts Society	Eastside Cruisers Car Club
The Basin Music Festival	The Gully Men's Shed	Knox War Memorial
Upper FTG Football Netball Club	Waterford Park Adventurers	
Liberty Avenue 3 Year Old Kindergarten	Links at Waterford Residents Association	

Finance report

For year ending 30 June 2022

I am pleased to report that Knox Community Financial Services Limited remains profitable in these ever-changing times.

As reported in previous years, the primary source of revenue for the company is the margins and fees on footings. The footings history over the past five years is shown below:

Year end	2017	2018	2019	2020	2021	2022
Footings ($ million)	291	317 (302)*	305	307	318	324

* The year 2018 included a $15 million deposit banked in June 2018 that was withdrawn a few months into 2019. The more representative number for 2018 is $302 million.

We saw a steady increase in lending over the period, while deposits levels varied as account holders moved their monies searching for term deposit rates. The table shows a footings growth of some $6Mil, however at times during the year footings were well over $330 million.

Despite footings being above last year's value for the whole year, total Revenue was $1.91 million, down from $2.0 million reflecting the lower margin and fee income rates from banking footings.

To maintain a profitable position the Board has focused on targeted expense management.

Employee expenses were down $81,000, while others remain in line with the previous year.

The closure of Community Bank Rowville shows a one off write down of $233,000.

Operating Profit before Charitable donations and Sponsorships was $237,000 vs $394,000 last year.

By comparison – if the Rowville right off were not included, the Profit would have been $470,000.

Following the clear messages presented at last year's AGM, our community contributions were $147,000 up from $61,000.

The overall Nett Profit is $58,824 down from last years $253,680.

Total equity position is down from 3.46 million to 3.39 million due to factors highlighted above.

As the cash position of the company remains stable, your Directors have recommended 12.5 cents per share dividend to be paid for the 2021/22 financial year.

As reported last year, your Directors engaged Bendigo Bank to conduct a full audit and review of the company while also reviewing both our corporate strategy and community purpose. The business review, commissioned in August 2021 provided insight and planning justification to restructure the business further.

Our in-Branch banking transaction levels continued to reduce as more customers transition to digital services. By example the combined levels of Fern Tree Gully and Rowville transactions were half of what Fern Tree Gully alone was at its peak. The Budget tool provided by Bendigo allowed your Board to model and project various options. The closure of Community Bank Rowville and centralising banking services to Community Bank Fern Tree Gully being the result, fully supported by Bendigo Bank.

To increase our community and customer engagement we established our Lending Hub at the rear of the Fern Tree Gully premises. We are now able to provide mobile services across Knox and beyond for customers, community groups, sporting and membership-based organisations.

Bendigo Bank has forecasted aggressive figures for the 2022/23 Budgets for footings and revenue growth. While margins will stay level on Lending products, there is an expected increase in margins on Deposits.

We shall be following these closely and will continue to manage the business to ensure the balance is maintained between banking services, community contributions, and profitability.

I would like to thank our staff led by Tina Leslie, as Business Manager, Tina Doran, as Branch Manager and all staff for their continued efforts as we continue to review and restructure the business

I would like to acknowledge all current and past serving Directors for their support during my four years as Chair. It was an honour and pleasure and my thanks to all the shareholders for comments and feedback during the period. It was a pleasure to endorse Eve John's elevation to Chair and I am confident the future of the company is in good hands.

Finally on a personal note, I would like to thank Hurtle Lupton for his support and counsel over our many years together. Hurtle's experience and leadership has been one of the key factors to the success of our company. Many thanks Hurtle.

To all shareholders, please share the message about the benefits of community banking as we grow together.

Etienne Clauw
Director

Directors' report

For the financial year ended 30 June 2022

The Directors present their report, together with the financial statements, on Knox Community Financial Services Ltd for the financial year ended 30 June 2022.

Board of Directors

The following persons were Directors of Knox Community Financial Services Ltd during the whole of the financial year up to the date of this report, unless otherwise stated:

Etienne Clauw

Title:	Finance
Qualifications:	Bachelor of Engineering (Elec)
Experience & Expertise:	Etienne is a Sales & Product Specialist within the Critical infratructure automation and control industries.

Anthony Holland

Title:	Director
Qualifications:	Certificate IV in Property and current director of Officer Real Estate Pty Ltd
Experience & Expertise:	Knox City Councillor for 8 years and Mayor 2015/2016

John Surridge

Title:	Secretary
Qualifications:	Diploma of Management, Diploma of Retail Management and Graduate Certificate in Management
Experience & Expertise:	Banker with 10 years experience in general banking and 35 years in management.

Phillip Reibelt

Title:	Human Resources
Qualifications:	
Experience & Expertise:	Phillip has worked in Workforce Management for several years.

Desmond Higginbotham

Title:	Director
Qualifications:	Bachelor of Commerce, Dip ED and Grad DIP Sec ST
Experience & Expertise:	

Eve John

Title:	Chair
Qualifications:	Bachelor of Adult Learning & Development, Diploma & Certificate in Training & Assessment and Business Development
Experience & Expertise:	Eve is a marketing strategist and copywriter for Australia's most successful and influential brands and products. Eve has a knowledge of buying behaviour and consumer psychology.

Board of Directors (continued)

Hurtle Lupton

Title:	Community Liaison
Qualifications:	Certificate of Business Studies, EDP
Experience & Expertise:	Hurtle was a member of Partliament, Deputy speaker of the Victoria Legislative Assembly and Mayor of Knox City Council on 3 occassions. He is also a former director of Glengollan Retirement and Aged Care Village.

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

Directors' Meetings

Attendances by each Director during the year were as follows:

	Board Meetings	
Director	A	B
Etienne Clauw	10	10
Anthony Holland	10	10
John Surridge	10	10
Phillip Reibelt	10	10
Desmond Higginbotham	10	9
Eve John	10	10
Hurtle Lupton	9	6

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year.

John Surridge

Qualifications:	Diploma of Management, Diploma of Retail Management & Graduate Certificate in Management
Experience & Expertise:	John has been the company scvretary of Knox Commnity Financial Services Ltd since 2016.

Principal Activities

The principal activities of the company during the course of the financial year were in providing Community Bank branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating Results

The profit of the company for the financial year after provision for income tax was:

	30 June 2022 ($)	30 June 2021 ($)	Movement
Profit After Tax	59,764	253,680	-76%

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.

Director's Interests

	Fully Paid Ordinary Shares		
Director	Balance at 1 July 2021	Changes During the Year	Balance at 30 June 2022
Etienne Clauw	-	-	-
Anthony Holland	500	-	500
John Surridge	500	-	500
Phillip Reibelt	-	-	-
Desmond Higginbotham	1,000	-	1,000
Eve John	-	-	-
Hurtle Lupton	6,000	-	6,000

Dividends

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

	Cents per Share	Total Amount ($)
Final fully franked dividend	12.50	97,594
Total Amount	**12.50**	**97,594**

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant Changes in the State of Affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events Since the end of the Financial Year

No matters or circumstances have arisen since the end of the financial year that significantly impact or may significantly impact the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely Developments

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

Environmental Regulations

The company is not subject to any significant environmental regulation.

Indemnification & Insurance of Directors & Officers

The company has indemnified all directors and the managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers 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. The company has not provided any insurance for an auditor of the company or a related body corporate.

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*.

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 (RSD Audit) for audit and non-audit services provided during the year are set out in Note 28 to the accounts.

The Board of Directors 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 are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Melbourne, VIC.

Eve John
Director

Dated this 26th day of September, 2022

Auditor's independence declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Knox Community Financial Services Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Knox Community Financial Services Limited. As the lead audit partner for the audit of the financial report for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 6 October 2022

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

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

	Note	2022 $	2021 $
Revenue			
Revenue from contracts with customers	7	1,796,085	1,883,553
Other revenue	8	119,506	124,457
Finance income	9	373	288
		1,915,964	**2,008,298**
Expenses			
Employee benefits expense	10	(945,191)	(1,007,357)
Depreciation and amortisation	10	(170,315)	(140,701)
Finance costs	10	(4,368)	-6234
Bad and doudyfull debts expenses		69	(399)
Occupancy expenses		(76,429)	(202,785)
IT expenses		(37,315)	(45,264)
ATM Expenses		(11,967)	(13,783)
Advertising & Marketing		(92,028)	(77,534)
Write off Assets - Rowville		(233,663)	-
Professional Fees		(29,198)	(40,431)
Other expenses		(78,651)	(79,780)
		(1,679,056)	**(1,614,268)**
Operating profit before charitable donations and sponsorship		**236,908**	**394,030**
Charitable donations and sponsorship		(147,634)	(61,726)
Profit before income tax		**89,274**	**332,304**
Income tax expense	11	(29,510)	(78,624)
Profit for the year after income tax		**59,764**	**253,680**
Other comprehensive income		(67,394)	282,803
Total comprehensive income for the year		**(7,630)**	**536,483**
Profit/(loss) attributable to the ordinary shareholders of the company		(7,630)	536,483
Total comprehensive income attributable to ordinary shareholders of the company		**(7,630)**	**536,483**
Earnings per share		**¢**	**¢**
- basic and diluted earnings per share	32	(0.98)	68.71

The accompanying notes form part of these financial statements.

Statement of Financial Position
for the year ended 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	12	1,395,948	1,193,134
Trade and other receivables	13	194,025	153,722
Financial assets	14	911,939	985,206
Current tax asset	18	44,447	13,935
Total current assets		**2,546,359**	**2,345,997**
Non-current assets			
Property, plant and equipment	15	1,221,758	1,501,214
Right-of-use assets	16	115,386	184,618
Intangible assets	17	32,116	87,407
Total non-current assets		**1,369,260**	**1,773,239**
Total assets		**3,915,619**	**4,119,236**
Liabilities			
Current liabilities			
Trade and other payables	19	145,221	108,454
Lease liabilities	20	76,355	71,346
Employee benefits	21	106,262	109,926
Total current liabilities		**327,838**	**289,726**
Non-current liabilities			
Trade and other payables	19	19,039	45,217
Lease liabilities	20	46,736	123,089
Employee benefits	21	3,972	25,766
Deferred tax liability	18	162,274	174,454
Total non-current liabilities		**232,021**	**368,526**
Total liabilities		**559,859**	**658,252**
Net assets		**3,355,760**	**3,460,984**
Equity			
Issued capital	22	780,750	780,750
Retained earnings	23	2,017,347	2,055,177
Reserves	24	557,663	625,057
Total equity		**3,355,760**	**3,460,984**

The accompanying notes form part of these financial statements.

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

	Note	Issued Capital $	Retained Earnings $	Reserves $	Total Equity $
Balance at 1 July 2020		780,750	1,895,187	342,254	3,018,191
Comprehensive income for the year					
Profit for the year		-	253,680	-	253,680
Other comprehensive income for the year		-	-	282,803	282,803
Transactions with owners in their capacity as owners					
Dividends paid or provided	31	-	(93,690)	-	(93,690)
Balance at 30 June 2021		**780,750**	**2,055,177**	**625,057**	**3,460,984**
Balance at 1 July 2021		780,750	2,055,177	625,057	3,460,984
Comprehensive income for the year					
Profit for the year		-	59,764	-	58,824
Other comprehensive income for the year		-	-	(67,394)	(67,394)
Transactions with owners in their capacity as owners					
Dividends paid or provided	31	-	(97,594)	-	(97,594)
Balance at 30 June 2022		**780,750**	**2,017,347**	**557,663**	**3,354,820**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		2,056,314	1,970,841
Payments to suppliers and employees		(1,690,349)	(1,571,003)
Dividends received		98,288	51,312
Income tax paid		(72,201)	(96,289)
Net cash flows provided by operating activities	**25**	**392,052**	**354,861**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	60,558
Proceeds from sale of investments		22,663	-
Purchase of investments		(16,788)	-
Purchase of intangible assets		(26,179)	(46,321)
Net cash flows provided by investing activities		**(20,304)**	**14,237**
Cash flows from financing activities			
Repayment of lease liabilities		(71,340)	(70,129)
Dividends paid		(97,594)	(93,690)
Net cash flows used in financing activities		**(168,934)**	**(163,819)**
Net increase in cash held		**202,814**	**205,279**
Cash and cash equivalents at beginning of financial year		1,193,134	987,855
Cash and cash equivalents at end of financial year	**25b**	**1,395,948**	**1,193,134**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2022

Note 1. Corporate Information

These financial statements and notes represent those of Knox Community Financial Services Ltd (the Company) as an individual entity. Knox Community Financial Services Ltd is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue by the Directors on 26th September 2022.

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 27.

Note 2. Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

Note 3. Summary of Significant Accounting Policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(a) Economic Dependency

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the following Community Banks branches:

- Ferntree Gully Community Bank
- Rowville Community Bank

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

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

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

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

Note 3. Summary of Significant Accounting Policies (continued)

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

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

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- 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.

(b) Revenue From Contracts With Customers

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	Includes	Performance Obligation	Timing of Recognition
Franchise agreement profit share	Margin, commission and fee income	When the company satisfies its obligation to arrange the servies to be provided to the customer by the supplier (Bendigo & Adelaide Bank)	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days of month end

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

Revenue Calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans, less interest paid to customers on deposits

plus

Deposit returns (i.e. interest return applied by BABL on deposits)

minus

Any costs of funds (i.e. interest applied by BABL to fund a loan)

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

Note 3. Summary of Significant Accounting Policies (continued)

Commission

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

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

Fee Income

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

Core Banking Products

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

Ability to Change Financial Return

Under the franchise agreement, Bendigo and Adelaide 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 and Adelaide 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Bendigo and Adelaide 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 and Adelaide Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank may make.

(c) Other Revenue

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

Revenue	Revenue Recognition Policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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 3. Summary of Significant Accounting Policies (continued)

Cash Flow Boost

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

(d) Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised 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.

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 estimate future cash outflows.

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

(e) Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current Income 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.

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 3. Summary of Significant Accounting Policies (continued)

Goods & Services Tax

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.
- when receivables and payables are stated with the amount of GST included.

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.

(f) Cash & Cash Equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(g) Property, Plant & Equipment

Recognition & Measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using diminishing value method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset Class	Method	Useful Life
Buildings	Straight line	40 years
Leasehold improvements	Diminishing value	40 years
Plant & equipment	Diminishing value	2-5 years

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

(h) Intangible Assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition & Measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Note 3. Summary of Significant Accounting Policies (continued)

Amortisation

Intangible assets 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
Establishment fee	Straight line	Franchise term (5 years)
Franchise fee	Straight line	Franchise term (5 years)

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

(i) 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, leases.

Sub-note (i) and (j) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition & Initial Measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification & Subsequent Measurement

<u>Financial Assets</u>

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

<u>Financial Assets - Business Model Assessment</u>

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Note 3. Summary of Significant Accounting Policies (continued)

Financial Assets - Subsequent Measurement, Gains & Losses

For financial assets at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial Liabilities - Classification, Subsequent Measurement, Gains & Losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial Assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial Liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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.

(j) Impairment

Non-derivative Financial Instruments

The company recognises a loss allowance for estimated credit losses (ECL)'s on its trade receivables.

ECL's 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.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (i.e. diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of ECL in Financial Statements

At each reporting date, the entity recognises the movement in the loss allowance 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 and Adelaide Bank, which is received 14 days post month end. Due to the reliance on Bendigo and Adelaide 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 and Adelaide Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2022.

Note 3. Summary of Significant Accounting Policies (continued)

Non-financial Assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets

(k) Issued Capital

Ordinary Shares

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(l) Leases

As Lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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 zero.

Note 3. Summary of Significant Accounting Policies (continued)

Short-term Leases & Leases of Low-value Assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

As Lessor

The company has not been a party in an arrangement where it is a lessor.

(m) Standards Issued But Not Yet Effective

There are no new standards effective for annual reporting periods beginning after 1 January 2020 that are expected to have a significant impact on the company's financial statements.

(n) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 4. Significant Accounting Judgements, Estimates & Assumptions

During preparation of the financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual outcomes and balances may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to these estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
Note 7 - Revenue	Whether revenue is recognised over time or at a point in time
Note 20 - Leases:	
(a) Control	Whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset
(b) Lease term	Whether the company is reasonably certain to exercise extension options, termination periods, and purchase options
(c) Discount rates	Judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: · the amount · the lease term · economic environment · any other relevant factors"

(b) Assumptions & Estimation Uncertainty

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 4. Significant Accounting Judgements, Estimates & Assumptions (continued)

Note	Assumption
Note 19 - Recognition of deferred tax assets	"Availability of future taxable profit against which deductible temporary differences and
carried-forward tax losses can be utilised"	
Note 15 - Estimation of asset useful lives	Key assumptions on historical experience and the condition of the asset
Note 21 - Long service leave provision	Key assumptions on attrition rate of staff and expected pay increases though promotion and inflation

Note 5. Financial Risk Management

The company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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 utilise any derivative instruments.

Risk management is carried out directly by the Board of Directors.

(a) 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 has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank.

(b) 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 following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2022		Contractual Cash Flows		
Non-derivative Financial Liability	Carrying Amount	< 12 Months	1 - 5 Years	> 5 Years
Lease liabilities	123,091	76,355	46,736	-

(c) Market Risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. There is no exposure to the company in regard to commodity price risk.

Note 5. Financial Risk Management (continued)

Cash Flow & Fair Values Interest Rate Risk

Interest-bearing assets are held with Bendigo and Adelaide Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of $1,395,948 at 30 June 2022 (2021: $1,193,134). The cash and cash equivalents are held with Bendigo & Adelaide Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 6. 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 year ended 30 June 2022 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 7. Revenue From Contracts With Customers

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

	2022 $	2021 $
Revenue		
- Revenue from contracts with customers	1,796,085	1,883,553
	1,796,085	**1,883,553**
Disaggregation of Revenue From Contracts With Customers		
- Margin income	1,499,509	1,583,043
- Fee income	160,486	163,846
- Commission income	136,090	136,664
	1,796,085	**1,883,553**

All revenue from contracts customers shown above was recognised at a point in time. There was no revenue from contracts with customers recognised over time during the financial year.

Note 8. Other Revenue

The company generates other sources of revenue as outlined below.

	2022 $	2021 $
Other Revenue		
- Market development fund income	5,833	18,750
- Cash flow boost	-	37,500
- Dividend Received	98,288	51,312
- Other Revenue	15,385	16,895
	119,506	**124,457**

Note 9. Finance Income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2022 $	2021 $
Finance Income		
At amortised cost:		
- Interest from term deposits	373	288
	373	**288**

Note 10. Expenses

Profit before income tax from continuing operations includes the following specific expenses:

(a) Employee Benefits Expense

	2022 $	2021 $
Employee Benefits Expense		
- Wages & salaries	779,748	817,881
- Superannuation costs	81,299	98,789
- Other expenses related to employees	84,144	90,687
	945,191	**1,007,357**

(b) Depreciation & Amortisation Expense

	2022 $	2021 $
Depreciation of Non-current Assets		
- buildings	35,866	16,775
- leasehold improvements	6,930	10,238
- plant and equipment	2,997	4,309
	45,793	**31,322**

Note 10. Expenses (continued)

	2022 $	2021 $
Depreciation of Right-of-use Assets		
- leased buildings	69,232	85,237
	69,232	**85,237**
Amortisation of Intangible Assets		
- franchise fees	55,290	24,142
	55,290	**24,142**
Total depreciation & amortisation expense	**170,315**	**140,701**

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 3(g) and 3(h) for details).

(c) Finance Costs

	2022 $	2021 $
Finance Costs		
- Interest paid	4,368	6,234
	4,368	**6,234**

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

(d) Community Investments & Sponsorship

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	2022 $	2021 $
Community Investments & Sponsorship		
- Direct sponsorship and grant payments	147,633	61,726
	147,633	**61,726**

The funds contributed are held by the Community Enterprise Foundation (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

Note 11. Income Tax Expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

Note 11. Income Tax Expense (continued)

(a) The Components of Tax Expense

	2022 $	2021 $
Current tax expense	20,163	64,991
Deferred tax expense	(9,725)	102,674
Recoupment of prior year tax losses	19,072	(100,014)
Under / (over) provision of prior years	-	10,973
	29,510	**78,624**

(b) Prima Facie Tax Payable

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2022 $	2021 $
Prima facie tax on profit before income tax at 25% (2021: 26%)	22,319	86,399
Add Tax Effect Of:		
- ATO COVID-19 cashflow Boost	-	(9,750)
- Under / (over) provision of prior years	3,797	10,973
- Temporary Difference	(6,893)	(11,659)
- Net Movement in Deferred Taxes	10,287	2,661
Income tax attributable to the entity	**29,510**	**78,624**
The applicable weighted average effective tax rate is:	-33.06%	-23.66%

Note 12. Cash & Cash Equivalents

	2022 $	2021 $
Cash at bank and on hand	1,395,948	1,193,134
	1,395,948	**1,193,134**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less. Any bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Note 13. Trade & Other Receivables

	2022 $	2021 $
Current		
Trade receivables	189,003	153,222
Other receivables	5,022	500
	194,025	**153,722**

Note 13. Trade & Other Receivables (continued)

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo & Adelaide Bank monthly profit share distribution, which is deposited within a reasonable timeframe each month. There are no items that require the application of the lifetime expected credit loss model.

Note 14. Financial Assets

	2022 $	2021 $
At Amortised Cost		
Term deposits	22,513	19,491
At FVTOCI		
Listed investments	889,426	965,715
	911,939	**985,206**

Term deposits classified as financial assets include only those with a maturity period greater than three months. Where maturity periods are less than three months, these investments are recorded as cash and cash equivalents.

Note 15. Property, Plant & Equipment

(a) Carrying Amounts

	2022 $			2021 $		
	At Cost / Valuation	Accumulated Depreciation	Written Down Value	At Cost / Valuation	Accumulated Depreciation	Written Down Value
Land & Buildings	1,250,000	(92,831)	1,157,169	1,250,000	(56,965)	1,193,035
Building improvements	346,434	(298,009)	48,425	346,434	(58,139)	288,295
Plant & equipment	233,348	(217,184)	16,164	233,347	(213,463)	19,884
	1,829,782	**(608,024)**	**1,221,758**	**1,829,781**	**(328,567)**	**1,501,214**

(b) Movements in Carrying Amounts

2022	Buildings $	Building Imp. $	Plant & Equipment $
Opening carrying value	1,193,035	288,295	19,884
Additions	-	-	-
Disposals	-	(232,940)	(723)
Depreciation expense	(35,866)	(6,930)	(2,997)
Closing carrying value	**1,157,169**	**48,425**	**16,164**

Note 15. Property, Plant & Equipment (continued)

2021	Buildings $	Building Imp. $	Plant & Equipment $
Opening carrying value	1,059,810	357,871	25,413
Additions	-	-	-
Disposals	-	(59,338)	(1,220)
Depreciation expense	(16,775)	(10,238)	(4,309)
Revaluations	150,000		
Closing carrying value	**1,193,035**	**288,295**	**19,884**

(c) Capital Expenditure Commitments

The entity does not have any capital expenditure commitments as at 30 June 2022 (2021: None).

(d) 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 16. Right-of-use Assets

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

The company's lease portfolio includes buildings, plant and equipment.

Options to Extend or Terminate

The option to extend or terminate are contained in the property lease of the Company. All extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the right-of-use asset.

AASB 16 Amounts Recognised in the Statement of Financial Position

	Leased Buildings $	Total ROU Asset $
Leased asset	323,082	323,082
Depreciation	(207,696)	(207,696)
	115,386	**115,386**

Movements in carrying amounts:

	Leased Buildings $	Total ROU Asset $
Recognised on initial application of AASB 16	323,082	323,082
Depreciation expense	(207,696)	(207,696)
Net carrying amount	**115,386**	**115,386**

Note 16. Right-of-use Assets (continued)

AASB 16 Amounts Recognised in the Statement of Financial Position

	2022 $	2021 $
Depreciation expense related to righ-of-use assets	69,232	85,237
Interest expense on lease liabilities	4,368	6,234

Note 17. Intangible Assets

(a) Carrying Amounts

	2022 $			2021 $		
	At Cost / Valuation	Accumulated Amortisation	Written Down Value	At Cost / Valuation	Accumulated Amortisation	Written Down Value
Franchise fees	87,407	(55,291)	32,116	118,994	(31,587)	87,407
	87,407	**(55,291)**	**32,116**	**118,994**	**(31,587)**	**87,407**

(b) Movements in Carrying Amounts

2022	Franchise Fees $
Opening carrying value	87,407
Additions	-
Disposals	-
Amortisation expense	(55,291)
Closing carrying value	**32,116**

2021	Franchise Fees $
Opening carrying value	65,227
Additions	46,322
Disposals	-
Amortisation expense	(24,142)
Closing carrying value	**87,407**

Note 18. Tax Assets & Liabilities

(a) Current Tax

	2022 $	2021 $
Income tax payable/(refundable)	(44,447)	(13,935)

Note 18. Tax Assets & Liabilities (continued)

(b) Deferred Tax

Movement in the company's deferred tax balances for the year ended 30 June 2022:

	30 June 2021 $	Recognised in P & L $	30 June 2022 $
Deferred Tax Assets			
- Assets and Lease Liabilities from AASB 16	2,454	(528)	1,926
- Employee provisions	33,923	(6,364)	27,559
Total deferred tax assets	**36,377**	**(6,892)**	**29,485**
Deferred Tax Liabilties			
- Property, plant & equipment	(210,831)	19,072	(191,759)
Total deferred tax liabilities	**(210,831)**	**19,072**	**(191,759)**
Net deferred tax assets/(liabilities)	**(174,454)**	**12,180**	**(162,274)**

Movement in the company's deferred tax balances for the year ended 30 June 2021:

	30 June 2020 $	Recognised in P & L $	30 June 2021 $
Deferred Tax Assets			
- Investment for fair value	35,936	(35,936)	-
- Assets and Lease Liabilities from AASB 16	2,014	440	2,454
- Employee provisions	51,518	(17,595)	33,923
Total deferred tax assets	**89,468**	**(53,091)**	**36,377**
Deferred Tax Liabilties			
- Property, plant & equipment	(163,079)	(47,752)	(210,831)
Total deferred tax liabilities	**(163,079)**	**(47,752)**	**(210,831)**
Net deferred tax assets/(liabilities)	**(73,611)**	**(100,843)**	**(174,454)**

Note 19. Trade & Other Payables

	2022 $	2021 $
Current		
Trade creditors	18,894	-
Other creditors and accruals	102,528	84,655
Franchise Fee Payable	23,799	23,799
	145,221	**108,454**
Non-Current		
Trade creditors	-	-
Franchise Fee Payable	19,039	45,217
Total Trade & Other Payable	**19,039**	**45,217**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Note 19. Trade & Other Payables (continued)

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Note 20. 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 on the adoption date. The discount rate used on recognition was 2.69%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

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

(a) Lease Portfolio

The company's lease portfolio includes:

Lease	Details
Rowville	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in 1st March 2020.

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.

The company is in the process of looking for a suitable entity to take over the lease of the premises as the branch has closed.

(b) Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2022 $	2021 $
Current	76,355	71,346
Non-current	46,736	123,089

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2022 were as follows:

	Minimum lease payments due				
	< 1 Year	1 - 2 Years	3 - 5 Years	> 5 years	Total
30 June 2022					
Lease payments	78,742	47,142	-	-	125,884
Finance charges	(2,387)	(406)	-	-	(2,793)
Net present values	**76,355**	**46,736**	**-**	**-**	**123,091**
30 June 2021					
Lease payments	75,713	79,529	46,783	-	202,025
Finance charges	(4,368)	(2,794)	(428)	-	(7,590)
Net present values	**71,345**	**76,735**	**46,355**	**-**	**194,435**

Note 20. Lease Liabilities (continued)

(c) Lease Payments Not Recognised as a Liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

Note 21. Employee Benefits

	2022 $	2021 $
Current		
Provision for employee benefits	106,262	109,926
	106,262	**109,926**
Non-Current		
Provision for employee benefits	3,972	25,766
	3,972	**25,766**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

Employee Attrition Rates

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.

Note 22. Issued Capital

(a) Issued Capital

	2022		2021	
	Number	$	Number	$
Ordinary shares - fully paid	780,750	780,750	780,750	780,750
	780,750	**780,750**	**780,750**	**780,750**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(b) Movements in share capital

	2022 $	2021 $
Fully paid ordinary shares:		
At the beginning of the reporting period	780,750	780,750
At the end of the reporting period	**780,750**	**780,750**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Note 23. Retained Earnings

	Note	2022 $	2021 $
Balance at the beginning of the reporting period		2,055,177	1,895,187
Profit for the year after income tax		59,764	253,680
Dividends paid	31	(97,594)	(93,690)
Balance at the end of the reporting period		**2,017,347**	**2,055,177**

Note 24. Reserves

	2022 $	2021 $
Asset Revaluation Reserve		
Balance at the beginning of the reporting period	625,057	342,254
Fair value movements during the period	(67,394)	282,803
Balance at the end of the reporting period	**557,663**	**625,057**

The reserves represent undistributable gains recognised on the revaluation of non-current assets.

Note 25. Cash Flow Information

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	Note	2022 $	2021 $
Cash and cash equivalents	12	1,395,948	1,193,134
As per the Statement of Cash Flows		**1,395,948**	**1,193,134**

(b) Reconciliation of cash flow from operations with profit after income tax

	2022 $	2021 $
Profit for the year after income tax	59,764	253,680
Non-cash flows in profit		
- Depreciation	170,315	129,915
- Loss of sale of PP&E	233,663	-
- Fair Value Tax Equity Movement	-	(61,014)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(40,308)	13,855
- (Increase) / decrease in deferred tax asset	(30,513)	100,843
- Increase / (decrease) in trade and other payables	36,768	26,723
- Increase / (decrease) in current tax liability	(12,179)	(18,494)
- Increase / (decrease) in provisions	(25,458)	(51,647)
Net cash flows from operating activities	**392,052**	**393,861**

Note 26. Financial Instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2022 $	2021 $
Financial Assets			
Trade and other receivables	13	194,025	153,722
Cash and cash equivalents	12	1,395,948	1,193,134
Term deposits	14	22,513	19,491
		1,612,486	**1,366,347**
Financial Liabilities			
Trade and other payables	19	164,260	153,671
Lease liabilities	20	123,091	194,435
		287,351	**348,106**

Note 27. Related Parties

(a) Key Management Personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company. The only key management personnel identified for the company are the Board of Directors, the members of which are listed in the Directors' report.

(b) Key Management Personnel Compensation

	2022 $	2021 $
Etienne Clauw	6,667	9,417
Anthony Holland	4,104	4,042
John Surridge	5,000	5,000
Phillip Reibelt	5,000	5,000
Desmond Higginbotham	4,104	4,042
Eve John	7,917	5,000
Hurtle Lupton	4,000	3,895
Richard Best	-	1,875
Total key management personnel compensation	**36,792**	**38,271**

Short-term Employee Benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

(c) Other Related Parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(d) Transactions With Key Management Personnel & Related Parties

No key management personnel or related party has entered into any contracts with the company.

Note 27. Related Parties (continued)

(d) Key Management Personnel Shareholdings

The number of ordinary shares in the company held by each key management personnel during the financial year has been disclosed in the Director's Report.

(e) Other Key Management Transactions

There has been no other transactions key management or related parties other than those described above.

Note 28. Auditor's Remuneration

The appointed auditor of Knox Community Financial Services Ltd for the year ended 30 June 2022 is RSD Audit. Amounts paid or due and payable to the auditor are outlined below.

	2022 $	2021 $
Audit & Review Services		
Audit and review of financial statements (RSD Audit)	5,500	6,630
Total auditor's remuneration	**5,500**	**6,630**

Note 31. Dividends

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	2022		2021	
	Number	$	Number	$
Fully franked dividend	780,750	97,594	780,750	93,690
Dividends provided for and paid during the year	**780,750**	**97,594**	**780,750**	**93,690**

The tax rate at which dividends have been franked is 25% (2021: 26%).

Note 32. Earnings Per Share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2022 $	2021 $
Profit attributable to ordinary shareholders	(7,630)	536,483
	Number	Number
Weighted average number of ordinary shares	780,750	780,750
	¢	¢
Basic and diluted earnings per share	(0.98)	68.71

Note 31. Events After the Reporting Period

There have been no significant events after the end of the financial year that would have a material impact on the financial statements or the company's state of affairs.

Note 32. Commitments & Contingencies

Any commitments for future expenditure associated with leases are recorded in Note 20. Details about any capital commitments are detailed in Note 15(d).

The company has no other commitments requiring disclosure.

There were no contingent liabilities or assets at the date of this report that would have an impact on the financial statements.

Note 33. Company Details

The registered office of the company is:

Knox Community Financial Services Ltd	67 Station Street, Ferntree Gully

The principal places of business are:

Ferntree Gully	67 Station Street, Ferntree Gully
Rowville	G7/1090 Wellington Road, Rowville

Note 34. Fair Value Measurements

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- freehold land and buildings
- listed investments

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair Value Hierarchy

AASB 13: Fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level	Measurement Details
Level 1	Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Measurements based on unobservable inputs for the asset or liability.

Note 34. Fair Value Measurements (continued)

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2022			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring Fair Value Measurements				
Non-financial Assets				
Land & Building	-	1,157,169	-	1,157,169
	-	**1,157,169**	**-**	**1,157,169**
Financial Assets	-	-		
Listed investments	889,426	-	-	889,426
	889,426	**-**	**-**	**889,426**

	30 June 2021			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring Fair Value Measurements				
Non-financial Assets				
Land & Building	-	1,193,035	-	1,193,035
	-	**1,193,035**	**-**	**1,193,035**
Financial Assets				
Listed investments	965,714	-	-	965,714
	965,714	**-**	**-**	**965,714**

There were no transfers between levels for assets measured at fair value on a recurring basis during the reporting period (2021: no transfers).

(b) Valuation Techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

Approach	Valuation Details
Market Approach	Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
Income Approach	Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value
Cost Approach	Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Note 34. Fair Value Measurements (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Valuation Techniques & Inputs - Level 2 Fair Values

Asset	Fair Value at 30 June 2022 $	Valuation Techniques	Inputs Used
Land & Building	1,157,169	Income approach	Inputs as per valuation report i.e. value per sqm, annual rental income etc

The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

(c) Reconciliation of Recurring Level 2 & 3 Fair Value Measurements

Level 2	Land & Buildings $
Balance at the beginning of the year	1,193,035
Additions during the year	-
Gains/(losses) recognised in profit or loss during the year	(35,866)
Settlements during the year	-
Balance at the end of the year	**1,157,169**

Directors' declaration

In accordance with a resolution of the directors of Knox Community Financial Services Ltd, we state that:

In the opinion of the directors:

(a) The financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

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

This declaration is made in accordance with a resolution of the board of directors.

Eve John

Eve John
Director

Dated this 26th day of September, 2022

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KNOX COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Know Community Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Know Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the year then ended; 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. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

We 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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.

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 6 October 2022

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Bendigo Bank