

Annual Report 2023

Kolan/Perry Community
Enterprises Limited

Community Bank
Gin Gin

ABN 21 123 507 844

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CHAIRMAN'S REPORT

2023 has been a very mixed year for our business. With the numerous rises in interest rates by the Reserve Bank, it has helped us grow our profitability. On the flip side, the number of home loans we have been able to secure has decreased simply because of the lack of stock on the market.

This appears to be a nationwide problem and not just locally to our area of catchment. Our staff and lending managers have been certainly putting the hard yards and unfortunately have been only able to get roughly 1 in every 10 applications across the line due to the higher interest rates.

The original developer who withdrew the offer for 51 Mulgrave St came back to us with an offer to buy the block again. This time the purchase went through smoothly and settlement was concluded in July 2023. The master plan for 75 to 79 Mulgrave St and 31 May St is well under way. We certainly want to maximise the potential of the site. As you can imagine the costs of the project will be significant so will be completed in a number of stages.

Our footings presently stand at \$146.7 million. We have 6699 accounts and our staff have opened 717 new accounts over the past year. We have been able to declare a 10-cent dividend fully franked this year. In comparison to other bank returns this is an amazing effort.

Over the last 16 years since we opened the doors this company has given back over \$1.95M to the community. This is a significant figure and one that we are extremely proud of. We continue to operate the ATMs in Mt Perry, Biggenden, and Gin Gin.

On behalf of the board, I would like to acknowledge and thank our dedicated and very hard-working staff for their tireless efforts in keeping our branch going forward. We are very fortunate to have such a great team working for us.

There have not been any staff changes throughout the year. We assisted the Bundaberg Bendigo branch while they were short staffed for a period of time.

Our board has seen a couple of changes this year with Kris Coeurleroi stepping down. I would like to thank Kris for his contribution to the Company over the past year and wish him all the best for the future. On a very positive note, Cameron Dean and June Larsen were elected as board members. Both of them bring their own set of fabulous skills to the board but most importantly they have a strong passion for our community which is what we are all about.

Finally, I would like to thank my fellow board members for volunteering their time and effort into keeping this company growing. We have a very committed team, and our focus is always on the community in community banking.

My term as Chairman has come to an end and it has been an absolute honour and privilege to hold the position and I would like to thank the board and shareholders for their support during this time.

Regards,



Bruce Apel
Acting Chairman

BRANCH MANAGER'S REPORT

Since I commenced in 2021, each year has presented with its own challenges. 2023 is no different and saw the continuation of customers selling properties and reducing debt level, increased cost of living pressure and the cash rate increasing a record 12 times by the Reserve Bank. We also had increased processing workloads from assisting Bendigo Bank Bundaberg Branch over the past 12 months due to the branch not having a manager. We've also had increasing level of scams. Scamming is now a big part of banking life. Staff are now more educated and aware of how to identify a scam and alert customers which does take a considerable amount of time.

With all these challenges, Community Bank Gin Gin has performed to expectations in most areas of banking. Retail lending saw 82 approved home loans, personal loans and credit cards for \$11.41m compared to the previous year of 56 approved for a value of \$7.78m. This year was the first full financial year where the Home Loan Specialist, Ryan Miller and I were both fully trained with approval discretions.

The disappointing element with the increased retail lending activity was that we couldn't grow the overall lending book. With the high volume of customers selling properties to reduce debt due to the increased interest rates and the cost of living pressures, the lending book decreased by \$2.6m. This was an actual improvement on the previous year where the lending book reduced by \$9.1m.

Other areas affecting retail lending growth is the continued population migration to Queensland by cashed up out of state buyers. This has been the case for the past 1 ½ years as these buyers don't need to borrow. This migration has caused an undersupply of properties listed for sale through Real Estates. It has also caused property values to remain at record levels. When you add the high interest rates, these conditions make it difficult for local buyers wanting to get into the property market seeing they need higher deposits, higher borrowing amounts at higher repayments. We have declined a high volume of applications this year simply due to customers not meeting servicing requirements. In all my years in banking, I haven't seen market forces like this, and Bendigo and Adelaide Bank have indicated that this may continue in the 2023/24 financial year.

Where the lending book decreased, the positive was that deposit funds increased over the year by \$2.25m. It wasn't as good as the previous year which saw growth of \$1.2m. The pleasing factor, we managed to keep the gained deposit from the previous year and continue to grow. When you factor in the costs of living and interest rate pressures, this is a great result.

The other pleasing factor is that with all these elemental market pressures, Community Bank Gin Gin made a substantially higher profit compared to the previous year and continued to assist Kolan/Perry Community Enterprises Limited's investment in community projects and not-for-profit groups. This is a large part of who we are and what we do and the reason I made the decision to become the Branch Manager. With lending/investment margins reportedly at its peak, profits should remain relatively the same over the next few years which in turn means more funds back to the community.

I'm determined to grow both the lending & deposit book over the 2023/24 financial year to see profits continue for the good of the community and shareholders. I encourage all board members and shareholders to support the branch and introduce new customers so that we can continue to grow along with the community. I again welcome any new customers gained during the year, it is after all, the combination of you that make the branch what it is and allow the board to continue to be able to support the local community.

A huge thank-you to the loyal and dedicated staff of the branch for their ongoing commitment to assist every customer.

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BRANCH MANAGER'S REPORT cont'd...

Without them, banking at Gin Gin would be very different. I would like to also thank the board for their continued support. Over the past 2 years I've been employed as Branch Manager, I've found the Community Banking model's way to be a great experience and completely different compared to the other big 4. So far, it's been very challenging, frustrating at times, but most of all rewarding. I know I'll be here for many years to follow.

Regards,

Joanathan Smith
Branch Manager

DIRECTOR'S REPORT

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

DIRECTORS

David Bruce Apel

Chair

Qualifications, experience and expertise: David is a Grazier. He Managed family cattle property and business for 27 years, Associate Diploma in Farm Business Management, Member of local Drought Committee, former Kolan Shire councillor and chair of the fire brigade.

Social responsibilities: Chair, Human Resource Committee, Asset Management Committee and Marketing Committee

Interest in shares: 28,000 ordinary shares

Paul Robert Stehbens

Vice Chair

Qualifications, experience and expertise: Paul was a trade qualified Boilermaker who has worked primarily in the Earth Moving industry up until completing his Bachelor of Teaching in 1997. His teaching career began at Rosedale state school in 1998. He was appointed as Head of Department at Gin Gin State High School in 2001 and since then has worked as Deputy Principal and now Principal within the School. He has been part of Kolan Perry Community Enterprises since its inception in 2007 and has held positions of President and Vice President of the Gin Gin Show Society as well as positions within the Gin Gin Primary School P&C Association.

Social responsibilities: Vice Chair, Human Resource Committee and Marketing Committee

Interest in shares: 5,001 ordinary shares

Margaret Ann Flanders

Company Secretary (appointed 24 November 2010)

Qualifications, experience and expertise: Margaret has been employed over 30 years with CQ University at Bundaberg Campus. She holds a Bachelor of Commerce, Diploma of Tertiary Studies and a Master Applied Science (Res) CQU. Currently a member of ESA International, GinGin Branch (member for over 20 years).

Social responsibilities: Company Secretary, Marketing Committee

Interest in shares: 1,000 ordinary shares

Susan Louise Bengtson

Chief Operating Officer, Executive Director

Qualifications, experience and expertise: Susan is a Marketing/Publicity Officer. Part of the Board of Kolan/Perry Community Enterprises since the steering committee. Canegrowers Isis Limited Director.

Social responsibilities: Treasurer, Marketing/Publicity Committee and Audit Committee

Interest in shares: 5,501 ordinary shares

Philip John Finlay

Chief Operating Officer, Executive Director

Qualifications, experience and expertise: Philip is a third generation primary producer in the Gin Gin area. He has been involved with the Gin Gin Rugby League Football Club most of his life, including playing on the team and being president for four years. He is currently Vice President and also received a life membership. Philip is also an executive member of the Gin Gin Show Society where he has volunteered for many years.

Social responsibilities: nil

Interest in shares: 2,000 ordinary shares

Beryl Jean Dingle

Non-executive director (appointed 8 April 2021)

Qualifications, experience and expertise: Beryl is a cattle grazier. Beryl's previous occupations have been involved in many different areas; Enrolled Nurse, Dental Practice Manager, Administration Supervisor of a FIFO Gold Mine in WA, Retail Manager and she is now back to her roots at home in Mount Perry working on her family's cattle property with her parents and brother. Beryl was on the steering committee for the Kolan Perry Community Bank during their two year drive prior to establishment and an inaugural director of the Bank in 2007. She is thrilled to have been asked to return to the Community Bank.

Social responsibilities: nil

Interest in shares: 1,001 ordinary shares

June Maree Larsen

Non-executive director (appointed 24 January 2023)

Qualifications, experience and expertise: Gin Gin Show Society

Social responsibilities: nil

Interest in shares: 10,000 ordinary shares

Cameron Arthur Dean

Non-executive director (appointed 25 May 2023)

Qualifications, experience and expertise: Managing Director of Gin Gin & Dry, a food manufacturing business in Gin Gin, QLD. Studied at Marcus Oldham College in farm business management.

Social responsibilities: nil

Interest in shares: nil

Kris Sebastian Coeurlero

Non-executive director (appointed 29 September 2022, resigned 2 August 2023)

Social responsibilities: nil

Interest in shares: nil

DIRECTOR'S REPORT cont'd...

Principal Activity

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

During the financial year the company also acquired and is now operating the Gin Gin laundromat.

Review of Operations

The profit for the company after providing for income tax amounted to \$497,145 (30 June 2022: \$39,948).

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

Dividends

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

	2023 \$
Fully franked dividend of 10 cents per share (2022: 9 cents)	<u>73,161</u>

Significant changes in the state of affairs

During the period the company sold its 55-57 Mulgrave Street Property and purchased the 79 Mulgraves Street Property. The property was purchased by the company to ensure local businesses remained in the town. The property has three tenants who all pay rent to the company, it also included the Gin Gin laundromat. Whilst this is not the usual banking services operation the Community Bank is known for, the company felt it is important to ensure this vital service remained open for the town. Therefore operations have continued with the board assessing the future of this service.

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

Matters subsequent to the end of the financial year

Since the end of the financial year the company has settled on the sale of 55-57 Mulgrave Street. The settlement is recognised as a \$901,146 receivable at 30 June 2023 and the funds were received on 7 July 2023. No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments

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

DIRECTOR'S REPORT cont'd...

Environmental regulation

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

Meetings of directors

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

Board	Eligible	Attended
David Bruce Apel	10	10
Paul Robert Stehbens	10	9
Margaret Ann Flanders	10	10
Susan Louise Bengtson	10	10
Philip John Finlay	10	10
Beryl Jean Dingle	10	9
June Maree Larsen	5	5
Cameron Arthur Dean	2	2
Kris Sebastian Coeurlero	7	6

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests

The interest in company shareholdings for each director are:

Board	Balance at the start of the year	Changes	Balance at the end of the year
David Bruce Apel	15,000	13,000	28,000
Paul Robert Stehbens	5,001	-	5,001
Margaret Ann Flanders	1,000	-	1,000
Susan Louise Bengtson	5,501	-	5,501
Philip John Finlay	-	2,000	2,000
Beryl Jean Dingle	1,001	-	1,001
June Maree Larsen	10,000	-	10,000
Cameron Arthur Dean	-	-	-
Kris Sebastian Coeurlero	-	-	-

Indemnity and insurance of directors and officers

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

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

Proceedings on behalf of the company

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

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

Indemnity and insurance of auditor

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

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

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 30 to the accounts.

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

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

Auditor's independence declaration

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

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

On behalf of the directors



David Bruce Apel
Chair

Dated 15 September 2023



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

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Kolan/Perry Community Enterprises Limited

As lead auditor for the audit of Kolan/Perry Community Enterprises Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

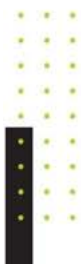
- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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

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

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

Joshua Griffin
Lead Auditor



afsbendigo.com.au

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 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	7	1,502,647	1,204,254
Other revenue	8	481,902	24,078
Finance revenue		83	224
Laundromat income	9	51,118	-
Total revenue		2,035,750	1,228,556
Employee benefits expense	10	(646,174)	(604,811)
Advertising and marketing costs		(8,011)	(10,433)
Occupancy and associated costs		(62,456)	(56,446)
System costs		(24,353)	(25,851)
Depreciation and amortisation expense	10	(91,135)	(97,908)
Impairment of assets	10	-	(137,203)
Finance costs		(20,120)	(2,553)
General administration expenses		(141,037)	(132,274)
Laundromat expenses	10	(49,758)	-
Total expenses before community contributions and income tax		(1,043,044)	(1,067,479)
Profit before community contributions and income tax expense		992,706	161,077
Charitable donations and sponsorships expense	10	(323,464)	(107,643)
Profit before income tax expense		669,242	53,434
Income tax expense	11	(172,097)	(13,486)
Profit after income tax expense for the year	24	497,145	39,948
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		497,145	39,948
		Cents	Cents
Basic earnings per share	32	67.95	5.46
Diluted earnings per share	32	67.95	5.46

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

FINANCIAL STATEMENTS cont'd...

Statement of financial position as at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	12	78,618	830,045
Trade and other receivables	13	1,041,063	107,226
Current tax assets	11	-	839
Total current assets		<u>1,119,681</u>	<u>938,110</u>
Non-current assets			
Investment properties	16	1,217,835	-
Property, plant and equipment	14	68,873	589,569
Right-of-use assets	15	23,851	79,289
Intangible assets	17	57,197	5,509
Deferred tax assets	11	24,664	59,839
Total non-current assets		<u>1,392,420</u>	<u>734,206</u>
Total assets		<u>2,512,101</u>	<u>1,672,316</u>
Liabilities			
Current liabilities			
Trade and other payables	18	63,985	112,984
Borrowings	19	9,201	7,937
Lease liabilities	20	24,185	40,318
Current tax liabilities	11	99,422	-
Employee benefits	21	75,961	69,077
Lease make good provision	22	14,422	-
Total current liabilities		<u>287,176</u>	<u>230,316</u>
Non-current liabilities			
Trade and other payables	18	42,827	-
Borrowings	19	364,443	-
Lease liabilities	20	-	38,507
Employee benefits	21	9,609	5,613
Lease make good provision	22	-	13,818
Total non-current liabilities		<u>416,879</u>	<u>57,938</u>
Total liabilities		<u>704,055</u>	<u>288,254</u>
Net assets		<u>1,808,046</u>	<u>1,384,062</u>
Equity			
Issued capital	23	712,308	712,308
Retained earnings	24	1,095,738	671,754
Total equity		<u>1,808,046</u>	<u>1,384,062</u>

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

Statement of changes in equity for the year ended 30 June 2023

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance				
Profit after income tax expense	-	-	39,948	39,948
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	39,948	39,948
Transactions with owners in their capacity as owners:				
Dividends provided for	26	-	(65,845)	(65,845)
Balance at 30 June 2022		712,308	671,754	1,384,062
Balance at 1 July 2022		712,308	671,754	1,384,062
Profit after income tax expense	-	-	497,145	497,145
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	497,145	497,145
Transactions with owners in their capacity as owners:				
Dividends provided for	26	-	(73,161)	(73,161)
Balance at 30 June 2023		712,308	1,095,738	1,808,046

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

FINANCIAL STATEMENTS cont'd...

Statement of cash flows for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,768,115	1,355,418
Payments to suppliers and employees (inclusive of GST)		(1,458,108)	(990,334)
Interest received		83	224
Interest and other finance costs paid		(17,682)	(478)
Income taxes paid		(36,661)	(186,607)
		<hr/>	<hr/>
Net cash provided by operating activities	31	255,747	178,223
Cash flows from investing activities			
Payments for investment properties		(1,274,402)	(13,464)
Payments for intangible assets (12,978)	-
Proceeds from disposal of property, plant and equipment		17,273	-
		<hr/>	<hr/>
Net cash used in investing activities (1,270,107)	(13,464)
Cash flows from financing activities			
Repayment of lease liabilities		(29,612)	(38,294)
Proceeds from borrowings	20	765,000	-
Dividends paid	26	(73,161)	(65,845)
Repayment of borrowings		(399,294)	(8,433)
		<hr/>	<hr/>
Net cash provided by/(used in) financing activities		262,933	(112,572)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		(751,427)	52,187
Cash and cash equivalents at the beginning of the financial year		830,045	777,858
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	12	78,618	830,045
		<hr/> <hr/>	<hr/> <hr/>

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

Notes to the Financial Statements for the year ended 30 June 2023

Note 1. Reporting entity

The financial statements cover Kolan/Perry Community Enterprises Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 63 Mulgrave Street, Gin Gin QLD 4671.

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

Note 2. Basis of preparation and statement of compliance

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 September 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

Current and non-current classification

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

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

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

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

Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

Impairment of non-financial assets

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

Recovery of deferred tax assets

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

Lease term

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

Incremental borrowing rate

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

Employee benefits provision

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

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

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

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Correction of error

The prior year financial report incorrectly classified chattel mortgages relating to motor vehicles under 'lease liabilities' and the corresponding asset under 'right-of-use assets'. Upon further analysis of AASB 16 Leases, the correct classification should have been under 'borrowings' and 'property, plant and equipment'. We considered the discrepancy immaterial to users of the financial report, however we believe it is important to rectify the classification error. Therefore, the necessary corrections to the 2023 and 2022 disclosures have been made accordingly.

Note 6. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in December 2027.

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

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

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

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

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

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

Note 7. Revenue from contracts with customers

	2023	2022
	\$	\$
Margin income	1,212,620	888,978
Fee income	104,432	96,121
Commission income	185,995	219,155
	1,502,647	1,204,254
	1,502,647	1,204,254

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 noninterest income when the company's right to receive the payment is established.

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

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

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

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

Revenue calculation

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

Margin income

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

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

plus: any deposit returns i.e. interest return applied by Bendigo Bank for a deposit

minus: any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

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

Commission income

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

Note 8. Other revenue

	2023 \$	2022 \$
Net gain on disposal of property, plant and equipment	390,512	-
Market development fund	4,167	10,000
Rental income	87,223	14,078
	481,902	24,078
	481,902	24,078

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

Revenue stream

Rental income

Revenue stream

Rental income from owned investment properties / right-of-use assets subleased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

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.

Net gain on disposal of property, plant and equipment

Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control or there is certainty they will obtain control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

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 GST.

Net gain on disposal of property, plant and equipment

This revenue mostly relates to gain on the sale of the 51-53 Mulgrave Street, Gin Gin, Qld 4671 property.

Note 9. Laundromat income

	2023 \$	2022 \$
Laundromat income	51,118	-

Accounting policy for laundromat income

Revenue for the self-service laundry machines is recognised once funds are deposited.

Note 10. Laundromat expenses

Laundromat expenses

	2023 \$	2022 \$
Laundromat expenses	49,758	-

These costs were incurred in the ongoing operations of the laundromat. A significant portion related to repairs and maintenance to the machines and premises.

Employee benefit expense

	2023 \$	2022 \$
Wages and salaries	546,276	512,929
Non-cash benefits	6,444	6,363
Superannuation contributions	57,404	51,906
Expenses related to long service leave	5,501	8,874
Other expenses	30,549	24,739
	646,174	604,811

Depreciation and amortisation expense

	2023 \$	2022 \$
<i>Depreciation of non-current assets</i>		
Buildings	4,756	4,756
Leasehold improvements	12,865	25,517
Plant and equipment	6,708	7,369
Motor vehicles	6,801	6,215
Investment properties	18,226	-
	49,356	43,857
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	28,577	40,857
<i>Amortisation of intangible assets</i>		
Franchise fee	2,200	2,202
Franchise renewal fee	11,002	11,021
	13,202	13,223
	91,135	97,908

Impairment losses

	2023 \$	2022 \$
Capital works in progress	-	137,203

No impairment losses recorded this year. The prior year expenses related property development costs which did not go ahead.

Leases recognition exemption

	2023 \$	2022 \$
Expenses relating to low-value leases	7,375	9,299
Expenses relating to short-term leases	1,563	6,400
	<u>8,938</u>	<u>15,699</u>

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

The company utilises a portion of one of their investment properties as an office for the Chief Operating Officer and pays a reimbursement of occupancy expenses. This is an informal arrangement with no significant penalties for termination of it. As such the lease has been assessed as short term and exempted from recognition under AASB 16 Leases. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.

Charitable donations, sponsorships and grants

	2023 \$	2022 \$
Direct donation, sponsorship and grant payments	7,675	7,643
Contribution to the Community Enterprise Foundation™	315,789	100,000
	<u>323,464</u>	<u>107,643</u>

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, sponsorships and grants).

The funds contributed to the Community Enterprise Foundation™ (CEF) are held by them 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

	2023 \$	2022 \$
<i>Income tax expense</i>		
Current tax	136,922	58,161
Movement in deferred tax	35,175	(45,675)
	<u>172,097</u>	<u>13,486</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	669,242	53,434
	167,311	13,359
Tax at the statutory tax rate of 25%		
Tax effect of:		
Non-deductible expenses	4,786	127
	<u>172,097</u>	<u>13,486</u>
	24,664	59,839
	<u>24,664</u>	<u>59,839</u>
	-	839
	<u>-</u>	<u>839</u>
	99,422	-
	<u>99,422</u>	<u>-</u>

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

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

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

Note 12. Cash and cash equivalents

	2023 \$	2022 \$
Cash at bank and on hand	78,618	830,045

Accounting policy for cash and cash equivalents

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

Note 13. Trade and other receivables

	2023 \$	2022 \$
Trade receivables	1,030,874	102,040
Other receivables and accruals	300	300
Prepayments	9,889	4,886
	<u>10,189</u>	<u>5,186</u>
	1,041,063	107,226
Income tax expense	<u>172,097</u>	<u>13,486</u>

Trade receivables

Current year trade receivables includes a \$901,146 receivable for the settlement of the sale of the 55-57 Mulgrave Street property. These fund were received on 7 July 2023.

Accounting policy for trade and other receivables

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

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

Note 14. Property, plant and equipment

	2023 \$	2022 \$
Land - at cost	-	325,000
Buildings - at cost	-	195,223
Less: Accumulated depreciation	-	(24,744)
	<u>-</u>	<u>170,479</u>
Leasehold improvements - at cost	157,381	193,181
Less: Accumulated depreciation	(144,715)	(167,650)
	<u>12,666</u>	<u>25,531</u>
Plant and equipment - at cost	108,399	151,465
Less: Accumulated depreciation	(89,867)	(129,046)
	<u>18,532</u>	<u>22,410</u>

NOTES TO FINANCIAL STATEMENTS cont'd...

	2023 \$	2022 \$
Motor vehicles - at cost	40,285	31,076
Less: Accumulated depreciation	(2,510)	(20,041)
	37,675	11,035
Capital works in progress - at cost	-	172,317
Less: Accumulated depreciation	-	(137,203)
	-	35,114
	68,873	589,569

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

	Land \$	Buildings \$	Leasehold improve- ments \$	Plant and equipment \$	Capital works in progress \$	Motor vehicles \$	Total \$
Balance at 1 July 2021	325,000	170,235	43,519	29,779	171,382	17,250	757,165
Additions	-	5,000	7,529	-	935	-	13,464
Impairment	-	-	-	-	(137,203)	-	(137,203)
Depreciation	-	(4,756)	(25,517)	(7,369)	-	(6,215)	(43,857)
Balance at 30 June 2022	325,000	170,479	25,531	22,410	35,114	11,035	589,569
Additions	-	-	-	3,156	-	40,185	43,341
Disposals	(325,000)	(160,723)	-	(326)	(35,114)	(6,744)	(527,907)
Transfers in/(out)	-	(5,000)	-	-	-	-	(5,000)
Depreciation	-	(4,756)	(12,865)	(6,708)	-	(6,801)	(31,130)
Balance at 30 June 2023	-	-	12,666	18,532	-	37,675	68,873

Disposals

During the financial year the company disposed of land and building located at 51-53 Mulgrave Street to assist in funding the purchase of the investment properties located at 75-79 Mulgrave Street.

Accounting policy for property, plant and equipment

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

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated.

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

Building	40 years
Leasehold improvements	4 to 40 years
Plant and equipment	1 to 40 years
Motor vehicles	5 years

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

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

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

Changes in estimates

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

Note 15. Right-of-use assets

	2023 \$	2022 \$
Land and buildings - right-of-use	139,563	166,425
Less: Accumulated depreciation	(115,712)	(87,136)
	<u>23,851</u>	<u>79,289</u>

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

	Land and buildings \$
Balance at 1 July 2021	39,183
Remeasurement adjustments	80,934
Depreciation expense	<u>(40,828)</u>
Balance at 30 June 2022	79,289
Remeasurement adjustments	(26,861)
Depreciation expense	<u>(28,577)</u>
Balance at 30 June 2023	<u><u>23,851</u></u>

Accounting policy for right-of-use assets

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

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

Refer to note 20 for more information on lease arrangements.

Note 16. Investment properties

	2023 \$	2022 \$
Investment property - at cost	1,236,061	-
Less: Accumulated depreciation	(18,226)	-
	1,217,835	-
	1,217,835	-

Reconciliation

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

Opening amount	-	-
Additions	1,236,061	-
Transfers in/(out)	5,000	-
Depreciation expense	(18,226)	-
	1,217,835	-
Closing amount	1,217,835	-

Additions

During the current financial year the company purchased land and buildings located at 75-79 Mulgrave Street. The company used a combination of cash reserves and a bank loan to fund the purchase.

Accounting policy for investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are recognised at cost, less accumulated depreciation.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Note 17. Intangible assets

	2023 \$	2022 \$
Franchise fee	43,370	32,555
Less: Accumulated amortisation	(33,837)	(31,637)
	9,533	918
Franchise renewal fee	166,852	112,777
Less: Accumulated amortisation	(119,188)	(108,186)
	47,664	4,591
	57,197	5,509

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

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2021	3,120	15,612	18,732
Amortisation expense	(2,202)	(11,021)	(13,223)
	918	4,591	5,509
Balance at 130 June 2022	918	4,591	5,509
Additions	10,815	54,075	64,890
Amortisation expense	(2,200)	(11,002)	(13,202)
	9,533	47,664	57,197
Balance at 30 June 2023	9,533	47,664	57,197

Additions

During the financial year, the franchise fee was renewed. It is being amortised over five years to December 2027.

Accounting policy for intangible assets

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

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

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

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	December 2027
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	December 2027

NOTES TO FINANCIAL STATEMENTS cont'd...

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

Change in estimates

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

Note 18. Trade and other payables

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	25,573	90,668
Other payables and accruals	38,412	22,316
	<u>63,985</u>	<u>112,984</u>
<i>Non-current liabilities</i>		
Other payables and accruals	<u>42,827</u>	<u>-</u>

Accounting policy for trade and other payables

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

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

Note 19. Borrowings

	2023 \$	2022 \$
<i>Current liabilities</i>		
Bank loans	-	1,365
Chattel mortgage	9,201	6,672
	<u>9,201</u>	<u>7,937</u>
<i>Non-current liabilities</i>		
Bank loans	351,304	-
Chattel mortgage	13,139	-
	<u>364,443</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS cont'd...

Financing arrangements

	2023 \$	2022 \$
Total facilities		
Bank loan	682,647	194,134
Used at the reporting date		
Bank loan	351,304	1,365
Unused at the reporting date		
Bank loan	331,343	192,769

Bank loans

Interest is recognised at rate of 7.26% (2022: 2.66%). The loans are secured by a fixed and floating charge over the company's assets.

A \$740,000 financing arrangement was approved with Bendigo Bank during the current financial year to fund the purchase of property at 75-79 Mulgrave Street. This had been significantly paid down by 30 June 2023.

Accounting policy for borrowings

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

Note 20. Lease liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	27,706	42,913
Unexpired interest	(521)	(2,595)
	<u>24,185</u>	<u>40,318</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	-	39,337
Unexpired interest	-	(830)
	<u>-</u>	<u>38,507</u>
<i>Reconciliation of lease liabilities</i>		
	2023 \$	2022 \$
Opening balance	78,825	33,407
Remeasurement adjustments	(26,862)	82,155
Lease interest expense	1,834	1,557
Lease payments - total cash outflow	(29,612)	(38,294)
	<u>24,185</u>	<u>78,825</u>

Maturity analysis

	2023 \$	2022 \$
Not later than 12 months	24,706	42,913
Between 12 months and 5 years	-	39,337
	24,706	82,250
	24,706	82,250

Accounting policy for lease liabilities

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

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

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

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

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

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

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

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Gin Gin Branch	4.29%	2 years	N/A	N/A	May 2024

Remeasurement adjustments

During the previous financial year the company extended the lease term for the Kolan/Perry branch lease by 2 years. As such a remeasurement of the right-of-use asset, lease liability and make-good provision occurred using the revised lease term end date of May 2024. The remeasurement adjustments this financial year related to a decrease in future monthly lease (rent) amounts for the branch lease.

Note 21. Employee Benefits

	2023 \$	2022 \$
<i>Current liabilities</i>		
Annual leave	52,529	47,150
Long service leave	23,432	21,927
	<hr/>	<hr/>
	75,961	69,077
	<hr/> <hr/>	<hr/> <hr/>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	9,609	5,613
	<hr/> <hr/>	<hr/> <hr/>

Accounting policy for employee benefits

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

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

Superannuation contributions

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

Short-term employee benefits

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

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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

Note 22. Provisions

	2023 \$	2022 \$
<i>Current liabilities</i>		
Lease make good provision	14,422	-
<i>Non-current liabilities</i>		
Lease make good provision	-	13,818

Lease make good provision

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$15,000 for the Kolan/Perry Branch lease, based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as the cost to remedy any damages caused during the removal process. The lease is due to expire on May 2024 at which time it is expected the face-value costs to restore the premises will fall due.

Accounting policy for provisions

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

Note 23. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	731,609	731,609	731,609	731,609
Less: Equity raising costs	-	-	(19,301)	(19,301)
	<u>731,609</u>	<u>731,609</u>	<u>712,308</u>	<u>712,308</u>

Accounting policy for issued capital

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

Rights attached to issued shares

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 275. As at the date of this report, the company had 285 shareholders (2022: 287 shareholders).

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

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

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

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

Note 24. Retained earnings

	2023 \$	2022 \$
Retained earnings at the beginning of the financial year	671,754	697,651
Profit after income tax expense for the year	497,145	39,948
Dividends paid (note 26)	(73,161)	(65,845)
	1,095,738	671,754
	1,095,738	671,754

Note 25. Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 26. Dividends

Dividends provided for and paid during the period

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

	2023 \$	2022 \$
Fully franked dividend of 10 cents per share (2022: 9 cents)	73,161	65,845

Franking credits

	2023 \$	2022 \$
Franking account balance at the beginning of the financial year	407,481	242,823
Franking credits (debits) arising from income taxes paid (refunded)	36,661	186,606
Franking debits from the payment of franked distributions	(24,387)	(21,948)
	<u>419,755</u>	<u>407,481</u>

Franking transactions that will arise subsequent to the financial year end:

Balance at the end of the financial year	419,755	407,481
Franking credits (debits) that will arise from payment (refund) of income tax	99,422	(839)
Franking credits available for future reporting periods	<u>519,177</u>	<u>406,642</u>

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

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Note 27. Financial instruments

	2023 \$	2022 \$
Financial assets		
Trade and other receivables	1,031,174	102,340
Cash and cash equivalents	78,618	830,045
	<u>1,109,792</u>	<u>932,385</u>
Financial liabilities		
Trade and other payables	106,812	112,984
Lease liabilities	24,185	78,825
Bank loans	351,304	1,365
	<u>482,301</u>	<u>193,174</u>

Accounting policy for financial instruments

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

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

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

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

Financial risk management

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

Price risk

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

Market risk

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

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. 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 \$78,618 at 30 June 2023 (2022: \$830,045).

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

	2023		2022	
	Nominal interest rate %	Balance \$	Nominal interest rate %	Balance \$
Bank loans	7.26%	351,304	2.66%	1,365
Net exposure to cash flow interest rate risk		351,304		1,365

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

Credit risk

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

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

Liquidity risk

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	2023 \$	2022 \$
Bank loan	331,343	192,769

Exposure to liquidity risk

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

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Chattel mortgage	9,201	13,139	-	22,340
Bank loans	-	351,304	-	351,304
Trade and other payables	63,985	42,827	-	106,812
Lease liabilities	24,706	-	-	24,706
Total non-derivatives	97,892	407,270	-	505,162
2022				
Chattel mortgage	6,572	-	-	6,572
Bank loans	1,365	-	-	1,365
Trade and other payables	112,984	-	-	112,984
Lease liabilities	42,913	39,337	-	82,250
Total non-derivatives	163,834	39,337	-	203,171

Note 28. Key management personnel disclosures

The following persons were directors of Kolan/Perry Community Enterprises Limited during the financial year and/or up to the date of signing of these Financial Statements.

David Bruce Apel	Beryl Jean Dingle
Paul Robert Stehbens	June Maree Larsen
Margaret Ann Flanders	Cameron Arthur Dean
Susan Louise Bengtson	Kris Sebastian Coeurlero
Philip John Finlay	

Compensation

Key management personnel compensation comprised the following.

	2023 \$	2022 \$
Short-term employee benefits	51,136	49,400
Post-employment benefits	5,369	4,940
	56,505	54,340
	56,505	54,340

Compensation of the company's key management personnel includes salaries, superannuation and other leave entitlements.

Employee benefits relate to remuneration of Susan Bengtson who is remunerated for her role as the company's Chief Operating Officer.

Note 29. Related party transactions

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

Note 30. Remuneration of auditors

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

	2023 \$	2022 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,400	5,200
<i>Other services</i>		
Taxation advice and tax compliance services	1,433	1,325
General advisory services	3,670	2,330
Share registry services	4,120	3,889
	9,223	7,544
	14,623	12,744

Note 31. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 \$	2022 \$
Profit after income tax expense for the year	497,145	39,948
Adjustments for:		
Depreciation and amortisation	91,135	97,908
Impairment	-	137,203
Net gain on disposal of non-current assets	(390,512)	-
Lease liabilities interest	1,834	1,557
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(32,691)	15,323
Decrease/(increase) in income tax refund due	839	839
Decrease/(increase) in deferred tax assets	35,175	(45,676)
Increase/(decrease) in trade and other payables	(58,084)	54,326
Increase/(decrease) in provision for income tax	99,422	(126,606)
Increase in employee benefits	10,880	4,561
Increase in other provisions	604	518
Net cash provided by operating activities	255,747	178,223

Note 32. Earnings per share

	2023 \$	2022 \$
Profit after income tax	497,145	39,948
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	731,609	731,609
Weighted average number of ordinary shares used in calculating diluted earnings per share	731,609	731,609
	Cents	Cents
Basic earnings per share	67.95	5.46
Diluted earnings per share	67.95	5.46

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Kolan/Perry Community Enterprises Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Note 33. Commitments

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

Note 34. Contingencies

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

Note 35. Events after the reporting period

Since the end of the financial year the company has settled on the sale of 55-57 Mulgrave Street. The settlement is recognised as a \$901,146 receivable at 30 June 2023 and the funds were received on 7 July 2023.

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

DIRECTOR'S DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



David Bruce Apel
Chair

15 September 2023



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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(03) 5443 0344

Independent auditor's report to the Directors of Kolan/Perry Community Enterprises Limited

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Kolan/Perry Community Enterprises Limited (the company), which comprises:

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

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of Kolan/Perry Community Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Qualified Opinion

As is common for cash businesses, it was not practical for the company to establish accounting control over the receipt of the cash from the laundromat business acquired during the financial year, prior to the receipt in the accounting records and recognition of income.

Accordingly, it was not practical in relation to the laundromat income to extend our examination beyond the amounts recorded in the accounting records of the company, and as such our audit in relation to this revenue was limited to the amounts recorded.

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

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

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

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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AUDITOR'S INDEPENDENCE DECLARATION



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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Joshua Griffin
Lead Auditor



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