Annual Report 2023

Merbein District Community Financial Services Limited

Community Bank
Merbein & District

ABN 68 108 297 945

Contents

Chairman's report

For year ending 30 June 2023

Dear Shareholders and Community Members,

I am delighted to present the Chairman's report for Merbein District Financial Services (Community Bank Merbein & District) for the end of the financial year 2023. This year has been one of significant achievements and milestones, reflecting our commitment to serving the Merbein community.

I am pleased to report that we have achieved an excellent profit result for the year, driven by a significant increases in loans and deposits and the impact of increased interest rates. This success demonstrates the growing confidence and trust that our community has in our services and reflects the dedication of our team. This result has seen the Board declare a dividend for our shareholders.

One of our proudest accomplishments this year has been the continued success of our sponsorship program. In the last year alone, we awarded over $23,000 to deserving applicants, bringing our total community support to over $682,000. This program has enabled us to give back to our local community in ways that make a real difference, and we are immensely proud of this ongoing commitment.

I want to take this opportunity to express my heartfelt gratitude to our dedicated staff. Under the capable leadership of our departing Branch Manager, Patrick, and with the tireless efforts of Tanya and Jenny, we have achieved remarkable results. I would also like to extend a warm welcome to our new staff members, Dana and Michelle, who have joined our team.

As we bid farewell to two valued members of our staff, Haley and Cathy, who have contributed significantly to our success, we also say goodbye to Manager Patrick, who resigned in June after seven successful years of service. We express our sincere thanks for his dedication and hard work and wish him well in his future endeavours. We are excited to welcome our new Branch Manager, Shane Carmichael, and the Board is looking forward to working closely with him to continue our mission of serving the Merbein community.

I would like to acknowledge and thank Shaun Leech, Regional Manager, and the Bendigo Adelaide Bank Team for their unwavering support throughout the year. We look forward to collaborating on new business initiatives in the coming year.

Our achievements would not be possible without the commitment and dedication of our fellow volunteer Board Members. Jeanette Worthington (Secretary), Ryan Maddox, Sally Keens, Simon Stirrat and Mal Lennie have been instrumental in guiding our organization. We are excited about the new year and the upcoming celebration of our 20th year of operation in Merbein.

In closing, I want to express my gratitude to our shareholders, the broader community, and all our partners for their continued support. Merbein District Financial Services remains committed to its mission of supporting the local community, and we are excited about the opportunities and challenges that the next year will bring.

Thank you all for your trust and support.

Sincerely,

M. R. Bennett

Malcolm Bennett
Chairman, Merbein District Financial Services

Manager’s report

For year ending 30 June 2023

It gives me great pleasure to report on the progress of Community Bank Merbein & District, to our valued shareholders, for the year ending 30 June 2023.

Post COVID this year has seen a sense of returning to normal and I’m sure that like our customers and our communities we relish the opportunity to engage with one another more often than the last 12 months. Like Bendigo Bank, Community Bank Merbein & District is a passionate bank, proud of our regional heritage, challenger spirit and positive impact in local communities at a national scale. Our vision is to be the local bank of choice – for those who bank with us, work for us, partner with us and invest in us.

Our partner, Bendigo Bank, is the fifth largest bank and has invested in a multi-year strategy to reduce complexity, invest in capability and tell our story to reshape our business for the future and deliver our vision.

The difference with the Community Bank model is that every time people bank with their local Community Bank branch, the bottom line increases and as such community contributions increase as well. The result of that support is that Community Bank Merbein & District have had an increase in lending and deposits with growth of 13.80% and 3.9% respectively, with overall footings increased by 7.30%. We have had good growth in these areas and our income has been affected with net interest margin increasing in comparison to the previous year, reflecting active management of pricing and volume for lending and deposits, despite the interest rate environment. The move of the Federal Reserve Bank action of increased interest rates in the financial year has had a positive effect on our net profit.

The pleasing aspect in the last 12 months that although some challenges have presented and will continue to be there, the positive nature of Community Banking remains. This has been driven by the wonderful staff at Community Bank Merbein & District, the Board and the Community alike.

Some highlights attributed to the branch to 30 June 2023 include:

- Lending footings now $31.3 million
- Deposit footings now $48.0 million
- Other Business footings now $18.5 million
- Overall Footings now $109.7 million.

The Marketing Development Fund is an additional source of income that is provided to our company from Bendigo Bank for grants, sponsorships or marketing.

Some of the sponsorships to June 30, 2023 have included:

$7,000	Major sponsorship of Mallee sports Assembly – Sports Star of the Year Award
$5,000	Mildura East Cricket Club
$2,000	Cabarita Inc
$1,000	Sunraysia Steam Society

We have also continued our involvement with local schools and scholarships, which is a fantastic initiative and engages the whole community, highlights being:

$1,000	Merbein P-10 College Scholarships and Awards
$500	School Scholarship for Mildura Senior College.

Future

We have seen greater activity in the region with more families moving into the area as a result of building in local subdivisions or looking for the change to move to the area. As people look for change as do our customers and they are embracing and using digital forms of banking, however they still value the face-to-face banking service.

It is also important to acknowledge our relationship with Rural Bank and this is an area that we would like to promote and grow as we sit on the edge of important horticultural and broadacre entities and have the ability and committed staff to assist with our farmers looking to grow their business with a strong local partnership. This has been a strong part of our growth this year and Mark Vartuli – Agri Relationship Manager has actively worked with our team to assist in this area.

Staff

Over the last 12 months we have welcomed new staff to the bank in Jenny Milner, Michelle Dalla Santa and Dana Giddings, with former staff Cath Dunning, Vikki Stevens and Haley Hlasny moving. We thank those staff for their amazing contribution and commitment to Community Bank Merbein & District and wish them well in future endeavors. All staff continue to go that extra mile to provide world class service and their passion to live and drive our Community Bank Values shines through. Thank you, ladies, your commitment is very much appreciated. It is also important to acknowledge the tireless work the Board puts in and supported by Bendigo Bank Head office, state office and regional support staff.

Closing

The last twelve months has presented many challenges and we have seen the impact of higher inflation and in turn higher interest rates. Our customers although impacted have been resilient through these times and continue to seek advice and support from Community Bank Merbein & District. We are very much on the journey with our existing and new customers to provide solutions to all types of financial needs being a full-service bank that offers personal, business and rural lending; options in investments and transactional and digital options. Bendigo Bank remains steadfast in their vision to be Australia's bank of choice and we remain steadfast in our vision to be Merbein and Districts bank of choice.

It is also with a sense of sadness that I will be leaving the bank after a wonderful seven years at the end of July 2023. Throughout this time, I have been honoured to be part of a team and branch that is vital to the Community. The support that I have been given from the Board, staff and Bendigo Bank has been simply fantastic. Many highlights have been engaging with the people who support us, working with some of the best people in the business and growing the business from $56 million to over $109 million. I can't thank everyone enough for the friendship, support and sense of community we all share.

Like most things the journey continues regardless of changes and Community Bank Merbein & District will continue to thrive with your support and we are here for all members of the Community. We look forward to seeing existing and new customers over the next 12 months where Community Bank Merbein & District offer modern solutions and opportunities supported by old fashioned personal customer service.

Thank you

Patrick Irwin
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2023

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

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

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

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

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

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

Justine Minne
Bendigo and Adelaide Bank

Community Bank National Council report

For year ending 30 June 2023

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

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

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

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

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

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

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

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

Warm regards

Sarah Franklyn
CBNC Chair

Directors' report

30 June 2023

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

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

Name:	Malcolm Raymond Bennett
Title:	Non-executive director
Experience and expertise:	Malcolm is a horticulturalist and a partner in family dried fruit property, he is secretary of Merbein branch of Dried fruits Australia, Secretary/Treasurer Mildura Red Cliffs Rifle Club, Former Board member Lower Murray Water and he holds an Associate Diploma of Mechanical Engineering. He is a director of Merbein Contract Harvesting. Chair, Marketing and Development and Finance Committee
Special responsibilities:	

Name:	Jeanette Ellen Worthington
Title:	Non-executive director
Experience and expertise:	Jeanette is a partner in family Eletrical Contracting Business. Jeanette has been Secretary of Merbein District Community Financial Services Limited since its inception and member of the sponsorship/marketing sub-committee. Jeanette has been associated with the administration of community and sporting clubs across Sunraysia for many years.
Special responsibilities:	Secretary, Member of Sponsorship/marketing sub committee

Name:	Ryan Christian James Maddox
Title:	Non-executive director
Experience and expertise:	Solicitor practicing in Commercial Law in Mildura since 2008. Employed in Business and Corporate Banking with NAB from 2001-2008. Former President and Secretary of Northwest Law Association (NWVLA). Former Director of Sunraysia Junior football league . Bachelor of Economics and Bachelor of Laws from University of Tasmania. Graduate Diploma of Legal Practice from College of Law. Part of Northern Mallee Leadership Program Alumni.
Special responsibilities:	Nil

Name:	Sally Mareea Keens
Title:	Non-executive director
Experience and expertise:	Pharmacist. Sally holds a Bachelor of Pharmacy and is a member of the Rotary Club of Mildura/Merbein.
Special responsibilities:	Nil

Name:	Simon Crawford Stirrat
Title:	Non-executive director
Experience and expertise:	Simon has a PHD and 30 years experience in state government and university employment.
Special responsibilities:	Nil

Name:	Malcolm David Lennie
Title:	Non-executive director
Experience and expertise:	Telstra Technician. Horticulture Farmer. Fishing Club.
Special responsibilities:	Nil

Company secretary
The company secretary is Jeanette Worthington. Jeanette was appointed to the position of company secretary on 10 March 2004.

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

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

Review of operations
The profit for the company after providing for income tax amounted to $256,719 (30 June 2022: $14,723).

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

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

	2023 $
Unfranked dividend of 2.5 cents per share (2022 : 1.5 cents)	13,560

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

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

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

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

Meetings of directors
The number of directors meetings (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

	Board		Marketing & Development Committee	
	Eligible	Attended	Eligible	Attended
Malcolm Raymond Bennett	11	11	1	1
Jeanette Ellen Worthington	11	10	1	1
Ryan Christian James Maddox	11	10	-	-
Sally Mareea Keens	11	5	-	-
Simon Crawford Stirrat	11	9	1	1
Malcolm David Lennie	11	11	-	-

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

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

	Balance at the start of the year	Changes	Balance at the end of the year
Malcolm Raymond Bennett	500	-	500
Jeanette Ellen Worthington	5,001	250	5,251
Ryan Christian James Maddox	1	-	1
Sally Mareea Keens	3,000	-	3,000
Simon Crawford Stirrat	-	-	-
Malcolm David Lennie	2,500	-	2,500

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 27 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

M. R. Bennett

Malcolm Raymond Bennett
Chair

22 September 2023

Auditor's independence declaration

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

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Merbein District Community Financial Services Limited

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

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

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

Joshua Griffin
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Merbein District Community Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue from contracts with customers	7	876,777	494,651
Other revenue	8	21,866	27,509
Total revenue		898,643	522,160
Employee benefits expense	9	(353,800)	(328,919)
Advertising and marketing costs		(1,091)	(2,559)
Occupancy and associated costs		(30,584)	(29,335)
System costs		(16,149)	(17,558)
Depreciation and amortisation expense	9	(41,042)	(41,729)
Finance costs		(1,983)	(3,321)
General administration expenses		(73,945)	(64,375)
Total expenses before community contributions and income tax		(518,594)	(487,796)
Profit before community contributions and income tax expense		380,049	34,364
Charitable donations and sponsorships expense		(37,585)	(14,585)
Profit before income tax expense		342,464	19,779
Income tax expense	10	(85,745)	(5,056)
Profit after income tax expense for the year	21	256,719	14,723
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		256,719	14,723
		Cents	**Cents**
Basic earnings per share	29	47.33	2.71
Diluted earnings per share	29	47.33	2.71

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

Merbein District Community Financial Services Limited
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	11	388,572	119,517
Trade and other receivables	12	83,353	56,424
Total current assets		471,925	175,941
Non-current assets			
Property, plant and equipment	13	73,717	48,858
Right-of-use assets	14	9,822	18,887
Intangible assets	15	10,948	24,691
Deferred tax assets	10	16,634	102,379
Total non-current assets		111,121	194,815
Total assets		583,046	370,756
Liabilities			
Current liabilities			
Trade and other payables	16	69,662	58,516
Lease liabilities	17	15,824	14,996
Employee benefits	18	39,302	53,425
Total current liabilities		124,788	126,937
Non-current liabilities			
Trade and other payables	16	-	15,390
Lease liabilities	17	1,358	17,182
Employee benefits	18	12,727	10,808
Lease make good provision	19	10,989	10,414
Total non-current liabilities		25,074	53,794
Total liabilities		149,862	180,731
Net assets		433,184	190,025
Equity			
Issued capital	20	490,005	490,005
Accumulated losses	21	(56,821)	(299,980)
Total equity		433,184	190,025

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

Merbein District Community Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2023

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2021		490,005	(306,567)	183,438
Profit after income tax expense		-	14,723	14,723
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	14,723	14,723
Transactions with owners in their capacity as owners:				
Dividends provided for	23	-	(8,136)	(8,136)
Balance at 30 June 2022		490,005	(299,980)	190,025

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2022		490,005	(299,980)	190,025
Profit after income tax expense		-	256,719	256,719
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	256,719	256,719
Transactions with owners in their capacity as owners:				
Dividends provided for	23	-	(13,560)	(13,560)
Balance at 30 June 2023		490,005	(56,821)	433,184

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

Merbein District Community Financial Services Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		949,025	572,044
Payments to suppliers and employees (inclusive of GST)		(604,289)	(498,657)
Interest and other finance costs paid		(40)	(506)
Net cash provided by operating activities	28	344,696	72,881
Cash flows from investing activities			
Payments for property, plant and equipment		(43,093)	(6,975)
Payments for intangible assets		(13,990)	(13,990)
Proceeds from disposal of property, plant and equipment		11,366	-
Net cash used in investing activities		(45,717)	(20,965)
Cash flows from financing activities			
Repayment of borrowings		-	(4,775)
Dividends paid	23	(13,560)	(8,136)
Repayment of lease liabilities	17	(16,364)	(16,364)
Net cash used in financing activities		(29,924)	(29,275)
Net increase in cash and cash equivalents		269,055	22,641
Cash and cash equivalents at the beginning of the financial year		119,517	96,876
Cash and cash equivalents at the end of the financial year	11	388,572	119,517

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

Notes to the financial statements

30 June 2023

Note 1. Reporting entity

The financial statements cover Merbein District Community Financial Services 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 66 Commercial Street, Merbein VIC 3505.

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

Note 2. Basis of preparation and statement of compliance

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

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

Note 3. Significant accounting policies

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

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

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

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

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

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

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

Note 3. Significant accounting policies (continued)

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

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

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

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. 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 'loans and 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 July 2024.

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.

Note 6. Economic dependency (continued)

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	736,776	371,244
Fee income	54,689	54,291
Commission income	85,312	69,116
	876,777	494,651

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

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

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

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

Note 7. Revenue from contracts with customers (continued)

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	11,366	-
Market development fund	10,000	27,500
Other income	500	9
Other revenue	21,866	27,509

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

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.
Gain on sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains 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.

All revenue is stated net of the amount of GST.

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

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

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

Note 9. Expenses

Employee benefits expense

	2023 $	2022 $
Wages and salaries	305,694	289,675
Superannuation contributions	31,618	30,166
Expenses related to long service leave	(2,800)	(4,306)
Other expenses	19,288	13,384
	353,800	328,919

Note 9. Expenses (continued)

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets		
Leasehold improvements	13,470	12,814
Plant and equipment	1,387	1,523
Motor vehicles	3,377	4,584
	18,234	18,921
Depreciation of right-of-use assets		
Leased land and buildings	9,065	9,065
Amortisation of intangible assets		
Franchise fee	2,291	2,291
Franchise renewal fee	11,452	11,452
	13,743	13,743
	41,042	41,729

Leases recognition exemption

	2023 $	2022 $
Expenses relating to low-value leases	5,014	6,360

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

Note 10. Income tax

	2023 $	2022 $
Income tax expense		
Movement in deferred tax	11,016	(1,966)
Recoupment of prior year tax losses	74,729	7,022
Aggregate income tax expense	85,745	5,056
Prima facie income tax reconciliation		
Profit before income tax expense	342,464	19,779
Tax at the statutory tax rate of 25%	85,616	4,945
Tax effect of:		
Non-deductible expenses	129	111
Income tax expense	85,745	5,056

Note 10. Income tax (continued)

	2023 $	2022 $
Deferred tax assets/(liabilities)		
Tax losses	10,690	85,419
Employee benefits	13,007	16,238
Provision for lease make good	2,746	2,604
Accrued expenses	1,419	1,419
Lease liabilities	4,296	8,045
Right-of-use assets	(2,455)	(4,722)
Property, plant and equipment	(13,069)	(6,624)
Deferred tax asset	16,634	102,379

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 11. Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	388,572	119,517

Accounting policy for cash and cash equivalents
For the purposes of the Statement of Financial Position cash and cash equivalents comprise cash on hand and deposits held with banks. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 12. Trade and other receivables

	2023 $	2022 $
Trade receivables	76,747	49,818
Prepayments	6,606	6,606
	83,353	56,424

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.

Note 13. Property, plant and equipment

	2023 $	2022 $
Leasehold improvements - at cost	113,829	113,829
Less: Accumulated depreciation	(85,368)	(71,898)
	28,461	41,931
Plant and equipment - at cost	54,128	54,128
Less: Accumulated depreciation	(48,588)	(47,201)
	5,540	6,927
Motor vehicles - at cost	43,093	26,632
Less: Accumulated depreciation	(3,377)	(26,632)
	39,716	-
	73,717	48,858

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

	Leasehold improvements $	Plant and equipment $	Motor Vehicles $	Total $
Balance at 1 July 2021	47,770	8,450	4,584	60,804
Additions	6,975	-	-	6,975
Depreciation	(12,814)	(1,523)	(4,584)	(18,921)
Balance at 30 June 2022	41,931	6,927	-	48,858
Additions	-	-	43,093	43,093
Depreciation	(13,470)	(1,387)	(3,377)	(18,234)
Balance at 30 June 2023	28,461	5,540	39,716	73,717

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

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

Note 13. Property, plant and equipment (continued)

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

Leasehold improvements	3 to 20 years
Plant and equipment	2.5 to 9 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 14. Right-of-use assets

	2023 $	**2022 $**
Land and buildings - right-of-use	183,579	183,579
Less: Accumulated depreciation	(173,757)	(164,692)
	9,822	18,887

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	27,952
Depreciation expense	(9,065)
Balance at 30 June 2022	18,887
Depreciation expense	(9,065)
Balance at 30 June 2023	9,822

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 17 for more information on lease arrangements.

Note 15. Intangible assets

	2023 $	2022 $
Franchise fee	93,651	93,651
Less: Accumulated amortisation	(91,827)	(89,536)
	1,824	4,115
Franchise renewal fee	168,249	168,249
Less: Accumulated amortisation	(159,125)	(147,673)
	9,124	20,576
	10,948	24,691

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	6,406	32,028	38,434
Amortisation expense	(2,291)	(11,452)	(13,743)
Balance at 30 June 2022	4,115	20,576	24,691
Amortisation expense	(2,291)	(11,452)	(13,743)
Balance at 30 June 2023	1,824	9,124	10,948

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)	July 2024
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	July 2024

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 16. Trade and other payables

	2023 $	2022 $
Current liabilities		
Trade payables	36,616	25,166
Other payables and accruals	33,046	33,350
	69,662	58,516
Non-current liabilities		
Other payables and accruals	-	15,390

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

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

Note 17. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	16,363	16,364
Unexpired interest	(539)	(1,368)
	15,824	14,996
Non-current liabilities		
Land and buildings lease liabilities	1,364	17,727
Unexpired interest	(6)	(545)
	1,358	17,182

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	32,178	46,389
Lease interest expense	1,368	2,153
Lease payments - total cash outflow	(16,364)	(16,364)
	17,182	32,178

Maturity analysis

	2023 $	2022 $
Not later than 12 months	16,363	16,364
Between 12 months and 5 years	1,364	17,727
	17,727	34,091

Note 17. Lease liabilities (continued)

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

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

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

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

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

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
Merbein branch	5.39%	5 years	N/A	N/A	July 2024

Note 18. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	32,447	41,294
Long service leave	6,855	12,131
	39,302	53,425
Non-current liabilities		
Long service leave	12,727	10,808

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.

Note 18. Employee benefits (continued)

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 19. Lease make good provision

	2023 $	2022 $
Lease make good	10,989	10,414

Lease make good
In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $11,650 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 July 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 20. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	542,411	542,411	542,411	542,411
Less: Equity raising costs	-	-	(52,406)	(52,406)
	542,411	542,411	490,005	490,005

Note 20. Issued capital (continued)

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

Rights attached to issued capital

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

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

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

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

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

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

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

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.

Note 20. Issued capital (continued)

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 21. Accumulated losses

	2023 $	2022 $
Accumulated losses at the beginning of the financial year	(299,980)	(306,567)
Profit after income tax expense for the year	256,719	14,723
Dividends paid (note 23)	(13,560)	(8,136)
Accumulated losses at the end of the financial year	(56,821)	(299,980)

Note 22. 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 23. Dividends

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

	2023 $	2022 $
Unfranked dividend of 2.5 cents per share (2022 : 1.5 cents)	13,560	8,136

Note 23. Dividends (continued)

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

Note 24. Financial instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	76,747	49,818
Cash and cash equivalents	388,572	119,517
	465,319	169,335
Financial liabilities		
Trade and other payables	69,662	73,906
Lease liabilities	17,182	32,178
	86,844	106,084

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

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

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

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

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

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

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of $388,572 at 30 June 2023 (2022: $119,517).

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.

Note 24. Financial instruments (continued)

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

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

2023	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	69,662	-	-	69,662
Lease liabilities	16,363	1,364	-	17,727
Total non-derivatives	86,025	1,364	-	87,389

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	58,516	15,390	-	73,906
Lease liabilities	16,364	17,727	-	34,091
Total non-derivatives	74,880	33,117	-	107,997

Note 25. Key management personnel disclosures

The following persons were directors of Merbein District Community Financial Services Limited during the financial year and/or up to the date of signing of these Financial Statements.

Malcolm Raymond Bennett
Jeanette Ellen Worthington
Ryan Christian James Maddox
Sally Mareea Keens
Simon Crawford Stirrat
Malcolm David Lennie

No director of the company receives remuneration for services as a company director or committee member.

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

Note 26. Related party transactions

The following transactions occurred with related parties:

	2023 $	2022 $
The company used the services of one of its directors in relation to testing of exit and emergency lights at the branch.	-	141

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

Note 27. Remuneration of auditors

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

	2023 $	2022 $
Audit services		
Audit or review of the financial statements	5,400	5,200
Other services		
Taxation advice and tax compliance services	1,433	3,425
General advisory services	3,100	2,510
Share registry services	5,110	2,658
	9,643	8,593
	15,043	13,793

Note 28. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 $	2022 $
Profit after income tax expense for the year	256,719	14,723
Adjustments for:		
Depreciation and amortisation	41,042	41,729
Net gain on disposal of non-current assets	(11,366)	-
Lease liabilities interest	1,368	2,270
Change in operating assets and liabilities:		
Increase in trade and other receivables	(26,929)	(3,730)
Decrease in deferred tax assets	85,745	5,056
Increase in trade and other payables	9,746	11,564
Increase/(decrease) in employee benefits	(12,204)	724
Increase in other provisions	575	545
Net cash provided by operating activities	344,696	72,881

Note 29. Earnings per share

	2023 $	2022 $
Profit after income tax	256,719	14,723
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	542,411	542,411
Weighted average number of ordinary shares used in calculating diluted earnings per share	542,411	542,411
	Cents	**Cents**
Basic earnings per share	47.33	2.71
Diluted earnings per share	47.33	2.71

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

Note 30. Commitments

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

Note 31. Contingencies

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

Note 32. Events after the reporting period

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

Directors' declaration

30 June 2023

In the directors' opinion:

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

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

On behalf of the directors

M. R. Bennett

Malcolm Raymond Bennett
Chair

22 September 2023

Andrew Frewin Stewart
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Independent auditor's report to the Directors of Merbein District Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Merbein District Community Financial Services Limited (the company), which comprises:

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

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

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

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

Joshua Griffin
Lead Auditor

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/MerbeinDistrictCommunityBankBranch

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL/Australian Credit Licence 237879. (BNPAR23106) (10/23)