Annual Report 2023

Community Bank
Geraldton
ABN 90 132 512 460

Midwest Community
Enterprises Limited

Contents

Chairperson’s Report

For the year ending 30 June 2023

It is such a rewarding feeling for the Staff, Directors and everyone involved in this Community Banking model to report to you on the most successful year of our 14-year journey so far. A year of growth, increased profit, and record contributions to the Community of the Midwest.

We now reflect and review, and we strategically plan for the next phase of our growth, with a strong desire to make a lasting impact and contribution to our community and to set the foundation for real change.

The staff of our Branch, so brilliantly led by Jody Beven, continue to excel, and deliver in every aspect of the business, and we are eternally grateful for their passion and work ethic that leads to the outstanding growth we achieve.

Also, our Board, volunteers to this journey over so many years, who continue to guide and advise and provide the expertise and Community connection that makes this such a success.

The world is constantly changing, business and digital offerings have been accelerated over the past few years, and as a Board we are always reviewing our strategies and direction to make sure we adjust and thrive in this environment. After attending the recent Bendigo Bank Conference celebrating 25 years of Community Banking, we have come away with enthusiasm and more importantly Board direction on our next phase.

This makes me excited! The best is still ahead, and I continue to be inspired by Jody, Kate, Kelly and all the staff and our Board who continue to get the job done with such a giving mentality.

To all our shareholders, your vision and hindsight in the early years has proven the catalyst for where we are today, and we appreciate your continued support of our Board and more importantly our Branch.

We will continue our journey to be the best Community Bank in Australia …. And we are well on the way.

Thankyou sincerely to the Board of Directors, our Community Bank staff, our shareholders, our customers and our partners Bendigo Bank.

We are all building something special.

Rob Houwen
Chairperson
Midwest Community Enterprises Limited

Branch Manager's Report

For the year ending 30 June 2023

The 2022/23 financial year was probably the most exciting and rewarding one for everyone involved in our business, thanks to continued growth in branch business volumes and the impact on our margin income levels as the RBA lead the nation through a series of interest rate increases.

Over the year total balances held by customers with us increased by $38 million (11%) and by June 2023 we had 8,894 accounts operated by 5,260 clients which reflect increases of 1,573 (21.5%) and 392 (8%) respectively on the prior year. These growth numbers represent some of the highest ever across a financial year which is a great outcome and confirms that our overall offering is still resonating with the community.

The biggest increase during the past year was due to the share of margin income off the back of the rising interest rates mentioned earlier – this led to our income growing by 58.5% from the previous year. While we understand this is due to circumstances generally beyond our control, the size of the increase is due to the size of our balances, which is part of what we have been able to control in previous years with our continued focus on developing staff to drive incremental growth. Even with extremely high levels of new business and customer growth we managed to contain the operating expenses increase to only 9.80%, after adjusting for discretionary spending. Much of this increase was in employment of additional staff which is another positive outcome as it represents more expenditure in our local community, as well as positioning us for continuing exponential growth.

Thanks to the large increase in income, we managed to record a very strong profit before tax of $229,832. This is after despite spending $979,909 on Grants, Sponsorship, and other Marketing activities across the year, including over $90,000 distributed to over 50 groups and clubs in our annual Small Grants Round in June. The total figure also includes our first ever contribution ($700,000) to the Bank's Community Enterprise Foundation which is a non-taxable donation which is held on our behalf for future grant funding in coming years.

A better comparison of our earnings is based on our profit before the discretionary spend on community activities (grants, sponsorships etc) which was $1,209,741 in 2022/23. This is up from $367,418 the previous year (229% increase) and means an average increase over the past 6 years of 48%.

This past financial year also saw us continue in our payments to our shareholders, with another capital return of 10c per share, which resulted in $140,001 being distributed to our local community. We are confident we can maintain both a return to shareholders and distribution of grant funds every year from now on thanks to the solid business base that is now in place.
As usual there have been several changes in the staffing of the branch and in the structure and size of the support teams provided by Bendigo and Rural Bank, but I continue to hear of very positive feedback about the service provided by our staff. This makes me incredibly proud of the work they do every day, both in the branch and in the community.

The Board, ably led by Rob Houwen, continues to provide fantastic support and direction to the staff and are looking for any opportunity to promote our business and introduce their friends and business associates to our staff. The ongoing commitment and vision of all our directors is the inspiration for our staff, and their continual review of our strategic and business planning is vital to meet the constantly changing market in which we operate.

The early signs for the 2023/24 year are that the economic and business environments in which we operate are not going to get any easier, and with interest rates now stabilised we are expecting margin income on core banking products to contract during the next 12 months which will reduce our share of income and negatively impact on our profitability. Despite these circumstances which are out of our control, we remain focussed on meeting the banking needs of our whole community and growing our market share across all sectors.

We ask that all our shareholders continue to support us, with your banking business and by promoting our service and experience with your families, friends, and acquaintances. This support is what enables us to reward you with capital returns and dividends in the future. I am looking forward to sharing our continued success with you in coming years.

Jody Beven
Senior Branch Manager

Our Community Bank Team

Jody Beven
Senior Branch Manager
Commencement Date: April 2009

Kate York
Branch Manager
Commencement Date: May 2013

Carly Kay
Assistant Branch Manager
Commencement Date: August 2021

Sarah Thurkle
Business Development Manager
Commencement Date: March 2015

Emma O'Donnell
Branch Operations Manager
Commencement Date: June 2020

Renee Marchetti
Customer Relationship Manager
Commencement Date: August 2017

Kelly Eastough
Community Engagement Advisor
Commencement Date: January 2012

Gemma Jones
Customer Relationship Officer
Commencement Date: December 2019

Karen Fourie
Customer Relationship Officer
Commencement Date: November 2022

Our Community Bank Team (continued)

Jordan Matthewman
Customer Service Officer
Commencement Date: October 2020

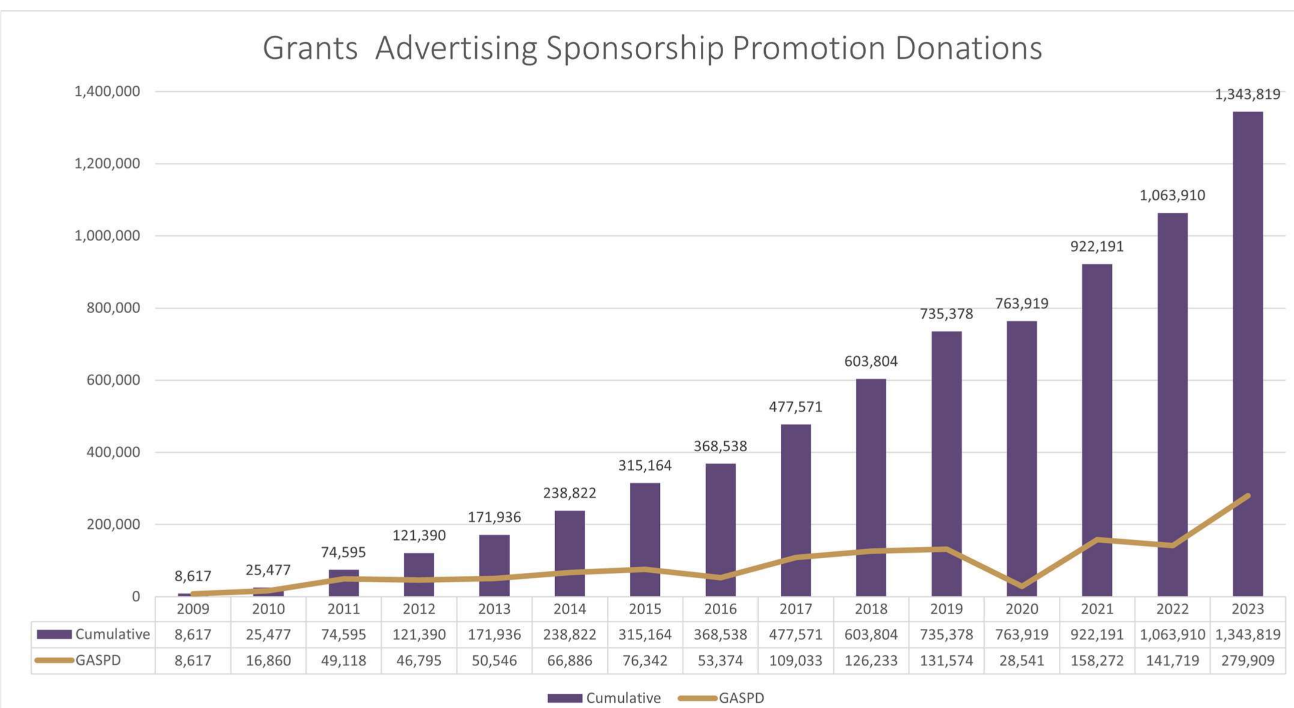
Eamonn Mitchell
Customer Service Officer
Commencement Date: October 2021

Gaye Masters
Customer Service Officer
Commencement Date: November 2022

Sponsorship & Contributions Report

In the Financial Year 2022/2023, a total of $253,224 was contributed to the Mid-West community via grants, advertising, sponsorship, promotion and donations. A further $700,000 was committed to the Community Enterprise Foundation which is a non-taxable donation which is held on our behalf for future grant funding in coming years.

Since opening the branch in 2009, a total of $1,317,134 has been contributed to the Mid-West community, of which $713,130 has been distributed over the past 5 years.



Return of Capital Payments History

For the year ending 30 June 2023

Return of Capital to Shareholders		
Financial Year	Amount Per Share	Date Paid
2022/2023	.10	16 November 2022
2021/2022	.10	04 November 2021
2020/2021	.10	27 November 2020
2019/2020	.10	29 November 2019
2018/2019	.10	30 November 2018
2017/2018	.10	30 November 2017
2016/2017	.05	30 November 2016

Bendigo and Adelaide Bank Report

For the year ending 30 June 2023

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

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

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

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

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

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

Warmest regards,

Justine Minne
Head of Community Banking
Bendigo and Adelaide Bank

Directors' Report

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 financial year and up to the date of this report, unless otherwise stated:

Robert Francis Houwen
Chairman
Experience and expertise: Dealer Principal - Geraldton Toyota. Treasurer of Rotary Club of Geraldton Greenough.
Special responsibilities: Chair & Finance Group

Wayne John Clarkson
Deputy Chairman
Experience and expertise: Current holder of Australian Financial Services License. Operating a general insurance broking service (broking) and Senior Associate CIP qualification.
Special responsibilities: Deputy Chair & Finance Group

Paul James Adam
Treasurer
Experience and expertise: Bachelor of Business, CPA, Principal of accounting practice Adam Hunter Pty Ltd. Public Practice Accountant for 24 years. Charter member of Taxation Institute of Australia. Director of Regional Alliance West Inc. Tax agent with ATO for 28 years.
Special responsibilities: Treasurer & Finance Group

Gary Bruce Clark
Non-executive director
Experience and expertise: Former Manager Mission Australia, Regional Manager Dept. of Sport and Recreation (30 years), Assoc Dip Recreation, Life Member Surf Life Saving WA, Geraldton Surf Life Saving Club, Brigades Football Club and Geraldton Harriers Running Club. Founding Director and Former Owner-Manager Mid West Times Community Newspaper (Geraldton). Chairman Mid West Academy of Sport.
Special responsibilities: Marketing Committee

Emma McNerney
Non-executive director
Experience and expertise: Co-founder, Director and Creative Communities Portfolio Lead at Euphorium, Community Development at Ngala. Raised over $80,000 for local community causes through volunteer events. Long term volunteer. Twice winner Australia Day Active Citizenship Award (under26). Diploma of Events. Leadership empowerment facilitator.
Special responsibilities: Marketing Group

Company Secretary

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

- Emma O'Brien was appointed as company secretary on 30 October 2018 and ceased on 19 October 2022.
- Robyn Lynette Zadow was appointed as company secretary on 19 October 2022.

  Experience and expertise: With qualifications in Business and Accounting, Robyn has been a small business owner for 14 years in the transport industry while involved in a range of Not For Profit enterprises. Robyn's strengths are governance and data analysis for small to medium business.

Directors’ Report (continued)

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 $174,916 (30 June 2022: $168,572).

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.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments

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

Environmental regulation

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

Meetings of directors

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

	Board	
	Eligible	**Attended**
Robert Francis Houwen	11	11
Wayne John Clarkson	11	10
Paul James Adam	11	10
Gary Bruce Clark	11	8
Emma McNerney	11	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 24 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' Report (continued)

Directors' interests

The interest in company shareholdings for each director are:

	Balance at start of the year	Changes $	Balance at the end of the year
Robert Francis Houwen	50,001	-	50,001
Wayne John Clarkson	28,001	-	28,001
Paul James Adam	7,001	-	7,001
Gary Bruce Clark	7,201	-	7,201
Emma McNerney	500	-	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 brough or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Indemnity and insurance of auditor

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

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

Non-audit services

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

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

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

Directors’ Report (continued)

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 director’s 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

Robert Francis Houwen
Chair

1 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 Midwest Community Enterprises Limited

As lead auditor for the audit of Midwest 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 1st September 2023

Joshua Griffin
Lead Auditor

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	2,698,752	1,741,935
Other revenue		14,943	-
Finance income		5,225	15
Employee benefits expense	8	(1,171,996)	(1,048,442)
Advertising and marketing costs		(43,448)	(24,873)
Occupancy and associated costs		(44,964)	(39,145)
Systems costs		(33,841)	(37,604)
Depreciation and amortisation expense	8	(90,114)	(90,114)
Finance costs		(6,740)	(9,737)
General administration expenses		(161,524)	(149,490)
Profit before community contributions and income tax expense		**1,166,293**	**342,545**
Charitable donations and sponsorships expense	8	(936,461)	(116,846)
Profit before income tax expense		**229,832**	**225,699**
Income tax expense	9	(54,916)	(57,127)
Profit after income tax expense for the year	20	**174,916**	**168,572**
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		**174,916**	**168,572**
		Cents	Cents
Basic earnings per share	27	12.49	12.04
Diluted earnings per share	27	12.49	12.04

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

Statement of financial position

As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	10	511,727	538,491
Trade and other receivables	11	236,215	191,017
Current tax assets	9		41,123
Total current assets		747,942	770,631
Non-current assets			
Property, plant and equipment	12	261,954	240,700
Right-of-use assets	13	44,883	93,848
Intangible	14	13,185	26,368
Deferred tax asset	9	644	11,920
Total non-current assets		320,666	372,836
Total assets		1,068,608	1,143,467
Liabilities			
Current liabilities			
Trade and other payables	15	47,857	102,803
Borrowings	16	45,739	3,666
Lease liabilities	17	72,187	75,548
Current tax liabilities	9	29,364	-
Employee benefits	18	141,541	133,226
Total current liabilities		336,688	315,243
Non-current liabilities			
Trade and other payables	15	-	14,502
Borrowings	16		42,486
Lease liabilities	17	-	71,957
Employee benefits	18	9,632	11,906
Total non-current liabilities		9,632	140,851
Total liabilities		346,320	456,094
Net Assets		722,288	687,373
Equity			
Issued capital	19	448,396	588,397
Retained earnings/(accumulated losses)	20	273,892	98,976
Total equity		722,288	687,373

The above statement of financial position 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 at 1 July 2021		**728,398**	**(69,596)**	**658,802**
Profit after income tax expense		-	168,572	168,572
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	168,572	168,572
Transactions with owners in their capacity as owners:				
Capital returns	19	(140,001)	-	(140,001)
Balance at 30 June 2022		**588,397**	**98,976**	**687,373**
Balance at 1 July 2022		**588,397**	**98,976**	**687,373**
Profit after income tax expense		-	174,916	174,916
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	174,916	174,916
Transactions with owners in their capacity as owners:				
Capital returns	19	(140,001)	-	(140,001)
Balance at 30 June 2023		**448,396**	**273,892**	**722,288**

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

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)		2,938,822	1,872,869
Payments to suppliers and employees (inclusive of GST)		(2,716,351)	(1,567,531)
Interest received		5,225	15
Interest and other finance costs paid		(1,984)	(2,106)
Income taxes paid		30,416	(32,726)
Net cash provided by operating activities	**26**	**256,128**	**270,521**
Cash flows from investing activities			
Payments for right-of-use assets		-	-
Payments for property, plant and equipment	12	(49,220)	(17,108)
Payments for intangibles		(13,184)	(13,184)
Net Cash used in investing activities		**(62,404)**	**(30,292)**
Cash flows from financial activities			
Repayment of borrowings		(414)	(10,000)
Payment for return of capital	19	(140,001)	(140,001)
Repayment of lease liabilities	17	(80,073)	(80,073)
Net cash used in financing activities		**(220,488)**	**(230,074)**
Net increase/(decrease) in cash and cash equivalents		(26,764)	10,155
Cash and cash equivalents at the beginning of the financial year		538,491	528,336
Cash and cash equivalent at the end of the financial year	**10**	**511,727**	**538,491**

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 Midwest 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:

Registered Office	Principal Place of Business
Unit 1 31-33 Hosken Street Bluff Point WA 6530	79 Forrest Street Geraldton WA 650

A description of the nature of the company's operations and its principal activity is included in the director's 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 1 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 liability 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 form 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.

Note 3. Significant accounting policies (continued)

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 rating provided but 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 amount of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets 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 and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

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

Notes to the Financial Statements (continued)

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

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

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

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

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

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.

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 June 2024.

Note 6. Economic dependency (continued)

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

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

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

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

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

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- 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	2,296,580	1,266,626
Fee income	106,020	94,348
Commission income	296,152	380,961
Revenue from contracts with customers	**2,698,752**	**1,741,935**

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.

Note 7. Revenue from contracts with customers (continued)

Revenue is recognised on an accrual's 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 satisfied its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

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

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

Margin
Margin is arrived at through the following calculation:

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

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

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

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

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

Core banking products
Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 day's 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. Expenses

	2023 $	2022 $
Employee benefit expenses		
Wages and salaries	966,429	878,724
Non-cash benefits	11,107	5,590
Superannuation contributions	113,738	103,849
Expenses related to long service leave	4,971	5,121
Other expenses	75,751	55,158
	1,171,996	**1,048,442**

Depreciation and amortisation expense		
Depreciation of non-current assets		
Leasehold improvements	8,932	8,932
Plant and equipment	5,720	5,720
Motor vehicles	13,314	13,314
	27,966	**27,966**
Depreciation of right-of-use assets		
Leased land and buildings	48,965	48,965
	48,965	**48,965**
Amortisation of intangible assets		
Franchise fee	2,197	2,197
Franchise renewal process fee	10,986	10,986
	13,183	**13,183**
	90,114	**90,114**
Leases recognition exemption		
Expenses relating to law-value leases	13,300	17,365

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 AASB16 *Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

Charitable donations, sponsorship and grant payments		
Direct donation, sponsorship and grant payments	236,461	116,846
Contribution to the Community Enterprise Foundation ™	700,000	-
	936,461	**116,846**

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 and held by the Community Enterprise Foundation™ (CEF) 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 9. Income tax

	2023 $	2022 $
Income tax expense		
- Current tax	43,640	7,165
- Movement in deferred tax	11,276	43,130
- Recoupment for prior year tax losses	-	6,832
Aggregate income tax expense	**54,916**	**57,127**
Prima facie income tax reconciliation		
Profit before income tax expense	229,832	225,699
Tax at the statutory rate of 25%	57,458	56,425
Tax effect of:		
- Non-deductible expenses	138	702
- Other deductibles	(2,680)	-
Income tax expense	**54,916**	**57,127**

	2023 $	2022 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	(43,975)	(37,776)
Employee benefits	37,793	36,282
Lease liabilities	18,047	36,876
Right-of-use assets	(11,221)	(23,462)
Deferred tax asset	**644**	**11,920**

	2023 $	2022 $
Income tax refund due	-	41,123
Provision for income tax	29,364	

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

Note 9. Income tax (continued)

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

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

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

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

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

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

Note 10. Cash and cash equivalents

	2023 $	2022 $
Cash on hand	250	250
Cash at bank and on hand	511,477	538,241
	511,477	538,491

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

Note 11. Trade and other receivables

	2023 $	2022 $
Trade receivables	221,053	178,679
Other receivables and accruals	4,786	456
Prepayments	10,376	11,882
	15,162	12,338
	236,215	191,017

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

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

Note 12. Property, plant and equipment

	2023 $	2022 $
Leasehold improvements – at cost	288,680	288,680
Less: Accumulated depreciation	(161,779)	(152,847)
	126,901	**135,833**
Plant and equipment – at cost	105,163	96,146
Less: Accumulated depreciation	(78,583)	(72,864)
	26,580	**23,282**
Motor Vehicles – at cost	153,118	112,916
Less: Accumulated depreciation	(44,645)	(31,331)
	108,473	**81,585**
	261,954	**240,700**

Reconciliations of the written down 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	128,975	27,684	94,899	251,558
Additions	15,790	1,318	-	17,108
Depreciation	(8,932)	(5,720)	(13,314)	(27,966)
Balance at 30 June 2022	135,833	23,282	81,585	240,700
Additions	-	9,018	40,202	49,220
Depreciation	(8,932)	(5,720)	(13,314)	(27,996)
Balance at 30 June 2023	**126,901**	**26,580**	**108,473**	**261,954**

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

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

Note 12. Property, plant and equipment (continued)

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

Leasehold improvements	4 to 40 years
Plant and equipment	1 to 40 years
Motors vehicles	8 years

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

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

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

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

Note 13. Right-of-use assets

	2023 $	2022 $
Land and buildings – right-of-use	731,557	731,557
Less: Accumulated depreciation	(686,674)	(637,709)
	44,883	**93,848**

Reconciliations of the written down 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	142,813
Depreciation expense	(48,965)
Balance at 30 June 2022	93,848
Depreciation expense	(48,965)
Balance at 30 June 2022	**44,883**

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 14. Intangibles

	2023 $	2022 $
Franchise fee	32,440	32,440
Less: Accumulated amortisation	(30,242)	(28,045)
	2,198	**4,395**
Franchise renewal fee	116,230	116,230
Less: Accumulated amortisation	(105,243)	(94,257)
	10,987	**21,973**
	13,185	**26,368**

Reconciliations of the written down 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	6,592	32,959	39,551
Amortisation expense	(2,197)	(10,986)	(13,183)
Balance at 30 June 2022	4,395	21,973	26,368
Amortisation expense	(2,197)	(10,986)	(13,183)
Balance at 30 June 2023	**2,198**	**10,987**	**13,185**

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

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

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

Note 15. Trade and other payables

	2023 $	2022 $
Current liabilities		
Trade payables	44,951	68,784
Other payables	2,906	34,019
	47,857	102,803
Non-current liabilities		
Other payables and accruals	-	14,502

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

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

Note 16. Borrowings

	2023 $	2022 $
Current liabilities		
Chattel Mortgage	45,739	3,666
Non-current liabilities		
Chattel Mortgage	-	42,486

Chattel Mortgage
The chattel mortgage is repayable monthly with the final instalment due on February 2024. Interest is recognised at rate of 4.42% (2022: 4.42%) The loans are secured by a fixed and floating charge over the company's assets.

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

Note 17. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	73,400	80,073
Unexpired interest	(1,213)	(4,525)
	72,187	75,548
Non-current liabilities		
Land and buildings lease liabilities		73,400
Unexpired interest		(1,443)
	-	71,957

Note 17. Lease liabilities (continued)

	2023 $	2022 $
Reconciliation of lease liabilities		
Opening balance	147,505	220,095
Lease interest expense	4,755	7,483
Lease payments – total cash outflow	(80,073)	(80,073)
	72,187	**147,505**

Maturity analysis		
Not later than 12 months	73,400	80,073
Between 12 months and 5 years	-	73,400
	73,400	**153,473**

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

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

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

The company's lease portfolio includes:

Geraldton branch	The lease commenced in June 2009. The company exercised a 5-year renewal option in June 2019. The company has no further renewal options available in the current lease agreement. As such, the lease term end date used in the calculation of the lease liability is May 2024. The discount rate used in calculations is 4.00%.

Note 18. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	60,385	59,315
Long service leave	81,156	73,911
	141,541	**133,226**
Non-current liabilities		
Long service leave	**9,632**	**11,906**

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 19. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Issued Capital				
Fully paid ordinary shares				
Ordinary Shares – fully paid	1,400,009	1,400,009	1,400,009	1,400,009
Less: Equity Raising Costs			(41,607)	(41,607)
Less: Return of capital	-		(910,000)	(770,005)
	1,400,009	**1,400,009**	**448,396**	**588,397**

Note 19. Issued capital (continued)

	2023 Shares	2023 $	2022 Shares	2022 $
Reconciliation of issued capital movement				
Fully paid ordinary shares				
Balance amount at beginning	1,400,009	588,397	1,400,009	728,398
Return of capital payment		(140,001)		(140,001)
	1,400,009	448,396	1,400,009	588,397

During the financial year, the company resolved an equal reduction of share capital of $0.10 per share. The return of capital was completed in November 2022 which resulted in the company returning $140,001 to its shareholders.

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.

Note 19. Issued capital (continued)

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 190. As at the date of this report, the company had 242 shareholders (2021: 242 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 his or her associates) have a prohibited shareholding interest, are suspended.

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

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

Note 20. Retained earnings/(accumulated losses)

	2023 $	2022 $
Accumulated losses at the beginning of the financial year	98,976	(69,596)
Profit after income tax expense for the year	174,916	168,572
Retained earnings/(accumulated losses) at the end of the financial year	273,892	98,976

Note 21. 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 22. Financial instruments

	2023 $	2022 $
Financial Assets		
Trade and other receivables	225,839	179,135
Cash and cash equivalents	511,727	538,491
	737,566	717,626

Financial liabilities		
Trade and other payables	47,857	117,305
Lease liabilities	72,187	147,505
Chattel mortgage	45,739	46,152
	165,783	310,962

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.

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 $511,727 at 30 June 2023 (2022: $538,491).

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

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

Notes to the Financial Statements (continued)

Note 22. Financial instruments (continued)

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 of the bank, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

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

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

2023	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Chattel mortgage	45,739			45,739
Trade and other payables	47,857		-	47,857
Lease liabilities	73,400		-	73,400
Total non-derivatives	166,996		-	166,996

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Chattel mortgage	3,666	42,486		46,152
Trade and other payables	102,803	14,502	-	117,305
Lease liabilities	80,073	73,400	-	153,473
Total non-derivatives	186,542	130,388	-	316,930

Note 23. Key management personnel disclosures

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

Robert Francis Houwen
Wayne John Clarkson
Paul James Adam
Gary Bruce Clark
Emma McNerney

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 24. Related party transactions

The following transactions occurred with related parties:

	2023 $	2022 $
Rob Houwen is the owner of Geraldton Toyota. The company purchased a new motor vehicle from there during the financial year	41,202	
Paul James Adam has provided the company with secretarial and bookkeeping services. The total benefit received was:	5,193	3,155
Wayne Clarkson has been provided the company with insurance policy services. The total benefit received was:	1,278	1,172
Emma McNerney was an employee of the company for a portion of the financial year. The total benefit received was:	14,398	
RL. Mitoke Pty Ltd, of which Robert Francis Houwen is a director, is The landlord of the branch premises at 79 Forest Street. The total Benefit received was:	80,072	80,072

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

Note 25. Remuneration of auditors

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

	2023 $	2022 $
Audit Services		
Audit or review of the financial statements	5,400	5,200
Other services		
General advisory services	3,770	3,070
Share registry services	3,819	3,561
	12,989	**11,831**

Note 26. Reconciliation or profit after income tax to net cash provided by operating activities

	2023 $	2022 $
Profit after income tax expense for the year	174,916	168,572
Adjustments for:		
Depreciation and amortisation	90,114	90,114
Lease liabilities interest	4,756	9,737
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(45,198)	(47,506)
Increase in income tax refund due	41,123	(34,143)
Decrease in deferred tax assets	11,276	49,962
Increase/(decrease) in trade and other payables	(56,264)	31,569
Increase in provision for income tax	29,364	
Increase in employee benefits	6,041	2,216
Net cash provided by operating activities	**256,128**	**270,521**

Note 27. Earnings per share

	2023 $	2022 $
Profit after income tax	174,916	168,752

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,400,009	1,400,009
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,400,009	1,400,009

	Cents	Cents
Basic earnings per share	12.49	12.04
Diluted earnings per share	12.49	12.04

Accounting policy for earnings per share

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

Note 28. Commitments

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

Note 29. Contingencies

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

Note 30. Events after the reporting period

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

Directors' Declaration

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

Robert Francis Houwen
Chair

1 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 report to the Directors of Midwest Community Enterprises Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Midwest 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, the accompanying financial report of Midwest Community Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

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

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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ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

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: 1st September 2023

Joshua Griffin
Lead Auditor

Community Bank · Geraldton
79 Forrest Street,
Geraldton, WA, 6530
Phone: 08 9921 2335 Fax: 08 9921 3940
Email: geraldton.mailbox@bendigoadelaide.com.au
Web: www.bendigobank.com.au/branch/wa/community-bank-geraldton/

Franchisee: Midwest Community Enterprises Limited
ABN: 90 132 512 460
79 Forrest Street,
Geraldton, WA, 6530
Phone: 08 9921 2335 Fax: 08 9921 3940
Email: geraldton.mailbox@bendigoadelaide.com.au

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au

www.facebook.com/communitybankgeraldton

Bendigo Bank

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