Annual Report 2022

Mt Eliza Community Enterprise Limited

Community Bank
Mt Eliza

ABN 18 139 499 326

Contents

Chairman's report

It's my pleasure to present this Annual Report to shareholders of Mt Eliza Community Enterprise Limited for the 2021–22 financial year.

The company finished the year with a profit after tax of $145,245. At 30 June we had cash reserves of in excess of current liabilities of $695,219.

For our shareholders, the company will be declaring a fully franked dividend of 5-cents to be paid in mid-December 2022. The board is delighted to be in a position to pay this dividend for the fifth year in a row.

Bendigo Bank's Community Bank network is one of the world's largest social enterprise-style businesses. We're proud to be a part of one of Australia's biggest banks, and one of country's most trusted brands (Roy Morgan Risk Monitor, 2022). To date the network of Community Bank branches has returned $300 million to Australian communities.

Here in Mt Eliza we've returned over $350,000 of that. This figure will grow as our business grows. We will continue to play our role in the sustainable growth and prosperity of our community.

During the year some our sponsorship and grant recipients included:

- Mt Eliza Neighbourhood House
- Mt Eliza Fire Brigade / CFA
- Peninsula Transport Assist
- Mornington Peninsula Legacy
- Peninsula Home Hospice
- Mt Eliza Farmers' Market
- Mt Eliza Bowling Club
- Mt Eliza Netball Club
- Mt Eliza Junior Football Club
- Frankston Dolphins Football–Netball Club
- Frankston/Mornington Flyers Swim Club
- Mornington Life Saving Club
- Peninsula Arts Society
- Chamber of Commerce events, and others.

In January a group of Mornington Peninsula students took part in a youth leadership program over two days at Camp Manyung. The event was organised by Mornington Peninsula Shire Youth Services team and funded by our region's Bendigo Bank branches. The event gave young people aged 12–25 years a chance to develop their leadership skills and be inspired to take on important roles in the community. A number of participants are now involved in council's Youth Advisory Committee. We are very proud of them, and continue to connect with them on issues that are important to local young people.

Another collaborative partnership for our Victorian branches was with Aquatics and Recreation Victoria's VICSWIM Summer Kidz learn to swim program. In January 2022, and despite COVID challenges, the program provided low-cost swimming lessons to more than 13,000 Victorian children at over 200 venues, including many on the Peninsula.

This year we published our *2022 Community Impact Report* as a companion document to this annual report, so you can read more of the stories behind our financial support of local organisations. The impacts we're having are impressive and we are touching many local peoples' lives.

I extend my thanks to our branch staff, led by Branch Manager, Fiona Parsons. She continues to do an outstanding job of leading the team and managing the business. The pandemic continued to present challenges for the staff this year, and they've handled those with resilience and professionalism.

I thank my fellow directors for their passion and dedication to this community and the business. I particularly want to thank our Deputy Chair, James Batty and Secretary/Treasurer, Rob Gauci for their expertise, but also the considerable work done by Jo Horton, Matt Wilson, Greg Russo and Alex Godfrey. Our board administrator, Kim Michod, has done a great job of assisting us through the year.

Our Mobile Relationship Manager, Amey Duffy, has made a significant contribution to the business. She has extended our lending capacity and gives us the ability to service customers when and where it suits them. Her work has been outstanding this year.

As always, I thank our local shareholders, partners and stakeholders. Your support is invaluable and continues to inspire our efforts. I urge you to continue to refer your family, friends and colleagues to Community Bank Mt Eliza. We're making great things happen for our customers and the community.

Reagan H. Barry
Chairman
reagan@mece.com.au

Branch Manager's report

It is with pleasure I can report on our progress for the 2021–22 financial year. The year has seen its challenges with the continued impact of the COVID-19 pandemic. It has put pressure on our staff and has impacted our community engagement and activities. Nonetheless, we have adapted and shown resilience in all aspects of branch operations.

Community Bank Mt Eliza ended the year with total business footings at $242 million (including $126 million in loans and $116 million in deposits). Support for the unique Bendigo Bank brand has come from all sectors of our community, including personal and business, with steady growth in customer numbers and products per customer over the past year.

Given the disrupted banking environment we have been operating in throughout the year, this positive outcome is the result of some fantastic work done by our staff, board directors and with the continued support of our local community. A true team effort.

And speaking of teams, at Bendigo Bank's regional awards last July, our team took out three awards and were recognised by the bank for their outstanding achievements over the previous 12 months. We couldn't be prouder of them. Collectively they'd worked hard to make great things happen for our customers and community and have been on deck as essential workers throughout the pandemic.

Bendigo Bank's network of Community Bank branches (like ours here in Mt Eliza) are owned by local people and operated in partnership with Bendigo and Adelaide Bank. Community Banks return most of their profit directly to their communities. The more local people who choose Community Bank Mt Eliza for their banking needs, the more impact we can have here in our local area.

Bendigo Bank is a big bank with heart that focuses on making good things happen. We have over 3000 local people who choose to bank with us, and we are a part of a branch network that has invested more than $300 million in communities Australia-wide. The impact of that reinvestment is immense.

After suffering a fall that resulted in my being on sick leave for several months, I would like to take this opportunity to extend my thanks to the team for their efforts during my absence. They are to be congratulated for their professionalism, level of service and ongoing commitment to our customers and the community. We farewelled Andrew, Melissa and Christine throughout the year and wish them every success in their future endeavours.

These and so many more achievements would simply not have been possible without the local people who choose Community Bank Mt Eliza for their banking. I would also like to acknowledge the commitment and dedication of our board of directors who work tirelessly in promoting our Community Bank, along with our Regional Support team, led by Regional Manager Kristy Marshall. The fantastic support we receive from these individuals has certainly contributed to our successful year and is greatly appreciated.

Community Bank Mt Eliza is well positioned to continue to grow with existing customers advocating and promoting the benefits of supporting our Community Bank. This advocacy is being led particularly by the many not-for-profit groups we have partnered with since opening, with many already seeing the rewards of choosing a Community Bank branch.

Last and by no means least, I would like to thank the customers and shareholders who have supported us this year and in previous years. Without you we would not have been able to achieve the results we have to date. I continue to ask that you be advocates for Community Bank Mt Eliza and encourage your family, friends, and associates to also choose us. I congratulate every stakeholder involved in our company and thank every customer. It is with your support our community contributions are possible.

I look forward to the year ahead with optimism and excitement. We will continue to strive to be the best Community Bank branch in the network by providing the highest levels of customer service and will remain focused and committed to our customers and local community. We're here for you.

Fiona Parsons
Branch Manager
Fiona.Parsons@bendigoadelaide.com.au

Corporate governance statement

Our board is comprised entirely of non-executive independent volunteer directors. The skills, experience and composition of the board is detailed in the director's report. Details of the directors' shareholdings, their remuneration and any transactions which they have conducted with the company are included in the directors' report and notes to the financial statements.

The board has committed to a high standard of corporate governance, financial reporting and integrity in the company's operations.

The following committees, which meet informally on a regular basis, advise the board and facilitate all our activities:

- Audit, risk and governance
- People and culture
- Marketing and community engagement, and
- Executive committee.

Independent professional advice

Directors have the right to seek independent professional advice (at the company's expense) to help them perform their duties.

The board engaged independent professional legal, accounting and audit services throughout the year.

Identifying and managing business risks

The board regularly monitors the operational and financial performance of the company against budget and other key performance measures. The board also receives advice on areas of operational and financial risks, and develops strategies in conjunction with management, to mitigate those risks.

The directors regularly undertake risk assessment analyses on the company's operations.

Committees have budget authorisation limits set by the board to facilitate day-to-day activities. Expenses above set amounts are subject to approval by the Chair.

The board and committees work closely with Bendigo Bank's support teams and regional manager to ensure our compliance with their policies, practices and guidelines. We actively engage in the training and capacity building opportunities provided by Bendigo Bank.

Communication with shareholders

The board of directors work to ensure that our shareholders, on behalf of whom we act, are informed of all major developments affecting the company's activities and its state of affairs. This includes information to assess director and board performance.

Information is communicated to shareholders through our:

- website: bendigobank.com.au/mt-eliza
- Annual Report
- Community Impact Report
- Annual General Meeting
- regular newsletters, and
- email communications.

Our vision

To be the bank of choice for Mt Eliza and a leader in our community.

Our mission

To work with Bendigo Bank and our staff to deliver exceptional banking services and to share the benefits with our stakeholders.

Directors' report

For the financial year ending 30 June 2022

Your directors submit the financial statements of the company for the financial year ended 30 June 2022.

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:

Reagan Harrison Barry

Title: Chair

Experience and expertise: Commercial Operations Manager

Reagan holds a Masters of Business (Banking and Finance), Bachelor of Commerce (Accounting) and is a member of the Australian Institute of Company Directors. Professionally, he works in the corporate sector as a Commercial Operations Manager, with commercial responsibility for a national division within the telecommunications industry. Reagan is Mt Eliza born and bred and has actively been involved in a variety of organisations. He was elected to board in June 2013, elected Deputy Chair in November 2013 and Chair in April 2014. He is passionate about the Mt Eliza community and keen to contribute to its growth and development.

Special responsibilities: Chair

James Craig Batty

Title: Non-executive director

Experience and expertise: General Manager, Event Logistic Group Pty Ltd

James was born and raised in Mt Eliza. He was educated at Peninsula Grammar and is married with three sons. His company, Event Logistic Group (incorporating The Production Place & Coulson Party Hire), is a family owned and operated event company. The company specialises in event management, marquee and event hire and has been operating since 1965. James is passionate about the local community and the Mt Eliza Community Bank branch meeting its objectives.

Special responsibilities: Chair, Investment and Development Committee

Robert Charles Gauci

Title: Non-executive director

Experience and expertise: Director, Port Phillip Group

Rob holds a Bachelor of Business (Accounting), is a Chartered Accountant and Registered Tax Agent. He has had 35 years experience in business services. Rob is a former treasurer and life member of the Frankston Life Saving Club. Having grown up in Mt Eliza, Rob is also very passionate about helping the local community prosper and believes this is a great vehicle for achieving this.

Special responsibilities: Treasurer, Company Secretary

Alexandra Godfrey

Title: Non-executive director

Experience and expertise: Director, Fusebox Design/Fusebox Communications

Alex is a communications and design professional with over 25 years experience. She helps clients in a variety of sectors with their communications, branding, marketing and social media. She is a digital and online specialist who is inspired by the power of technology to educate, inspire and transform. Alex manages our marketing, sponsorship and community engagement activities, and represents us on Bendigo Bank's national and state marketing committees.

Special responsibilities: Chair, Marketing and Community Engagement Committee

Joanne Horton

Title: Non-executive director

Experience and expertise: Global Learning & Development Manager

Jo is a human resources professional who leads our people and culture strategy. She works professionally in the corporate sector, with over 20 years experience in both commercial and senior learning and development roles. Her passion lies in enabling people and organisations to be the best they can be, with a clear focus on what's possible. Her focus for our branch is customer service excellence, supporting the growth of our community. A Mt Eliza local since the early 2000s, Jo enjoys village life with her husband and Labrador.

Special responsibilities: Chair of People and Culture Committee

Matthew Keith Wilson

Title: Non-executive director

Experience and expertise: Senior Private Wealth Adviser and Company Director

Matthew is an experienced investment adviser and stockbroker at one of Australia's leading Investment and wealth management firms. He holds a number of finance related degrees, including a Bachelor of Business (Law) from Monash University; as well as a Graduate Diploma of Wealth Management from Deakin University. Having previously worked for Morgan Stanley and Citibank, he assists his private clients with the effective and efficient management of their financial investments and affairs. Matthew and his wife both have grown up in the Mt Eliza area and have three young sons. Matthew is active within the community and is delighted to contribute his skills, knowledge and experience to Mt Eliza Community Enterprise Ltd.

Gregory John Russo

Title: Non-executive director

Experience and expertise: Lawyer

Greg holds a Bachelor of Science (Pure Mathematics) and a Bachelor of Law. He is a member of the Law Institute of Victoria, and a principal of the firm Featherbys Barristers and Solicitors in Rosebud, and is a Law Institute of Victoria Accredited Specialist in Wills and Estates. Greg was born in Sydney and relocated to Melbourne as a teenager. He has lived and worked on the Mornington Peninsula and Frankston since 1994. He currently lives in Mt Eliza with his wife and son. Greg is committed to community development and has been involved, in a variety of capacities, with a number of professional and community organisations since 1994. He is passionate about the Mt Eliza community and keen to contribute to its growth and development.

Special responsibilities: Chair of Audit, Risk & Governance

Directors' report (continued)

Company secretary

The company secretary is Robert Charles Gauci.

Principal activities

The principal activities of the company during the financial year were 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 $145,245 (30 June 2021: $203,078).

Operations have continued to perform in line with expectations.

Dividends

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

	Cents per share	Total amount $
Fully franked dividend	0.05	40,355

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 circumstances has arisen since 30 June 2022 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.

Directors' report (continued)

Meetings of directors

The number of meetings of the company's board of directors ('the board') and of each board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Board meetings	
	Eligible	Attended
Reagan Harrison Barry	10	10
James Craig Batty	10	8
Robert Charles Gauci	10	9
Alexandra Godfrey	10	10
Joanne Horton	10	10
Matthew Keith Wilson	10	10
Gregory John Russo	10	8

Directors meet and liaise informally on a constant basis to discuss issues around people and culture, risk and governance and marketing and community engagement. Committees only meet formally if required and recommendations and information are provided to the board on key issues at monthly board meetings.

Directors' benefits

No director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the company, controlled entity ore related body corporate with a director, a firm which the 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
	$	$	$
Reagan Harrison Barry	1,000	–	1,000
James Craig Batty	1,000	–	1,000
Robert Charles Gauci	1,000	–	1,000
Alexandra Godfrey	1,000	–	1,000
Joanne Horton	–	–	–
Matthew Keith Wilson	7,000	–	7,000
Gregory John Russo	–	–	–

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.

Directors' report (continued)

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 White) for audit and non audit services provided during the year are set out in note 26 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
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing risk 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 the directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Reagan H. Barry
Chairman

3 October 2022

Auditor's independence declaration

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Unit 301, 148 Logis Boulevard, Dandenong South VIC 3175
PO Box 4525, Dandenong South VIC 3164
(03) 9551 2822
info@ashfords.com.au

Mount Eliza Community Enterprise Limited
ABN 18 139 499 326

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mt Eliza Community Enterprise Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, there have been:

(i) no contraventions of the auditor independence requirements as set out in 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.

Ashfords Audit and Assurance

Ashfords Audit and Assurance Pty Ltd

Andrew White - CA
Director

26 October 2022

Level 3, 148 Logis Boulevard,Dandenong South, Vic. 3175

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

For the financial year ending 30 June 2022

	Note	2022 $	2021 $
Revenue from ordinary activities	6	1,202,339	1,196,676
Other revenue	7	14,721	34,478
Finance income		(342)	1,103
Employee benefits expense	8	(615,645)	(509,055)
Charitable donations, sponsorship, advertising and promotion	8	(65,022)	(82,876)
Occupancy and associated costs		(28,534)	(60,051)
Systems costs		(32,228)	(44,021)
Depreciation and amortisation expense	8	(125,367)	(113,491)
Finance costs	8	(41,537)	(32,657)
General administration expenses		(109,394)	(118,182)
Profit before income tax expense		**198,991**	**271,924**
Income tax expense	9	(53,746)	(68,846)
Profit after income tax expense		**145,245**	**203,078**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**145,245**	**203,078**
Earnings per share		¢	¢
Basic earnings per share	28	17.99	26.22

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet

As at 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	10	850,796	952,082
Trade and other receivables	11	138,394	113,334
Total current assets		**989,190**	**1,065,416**
Non-current assets			
Trade and other receivables	11	–	7,515
Property, plant and equipment	12	234,186	267,069
Right-of-use assets	13	1,054,264	1,133,836
Intangible assets	14	51,081	63,992
Deferred tax asset	9	29,570	21,234
Total non-current assets		**1,369,101**	**1,493,646**
Total assets		**2,358,291**	**2,559,062**
LIABILITIES			
Current liabilities			
Trade and other payables	15	67,147	317,927
Current tax liabilities	9	6,360	18,179
Lease liabilities	16	48,641	44,354
Employee benefits	17	33,429	30,542
Total current liabilities		**155,577**	**411,002**
Non-current liabilities			
Trade and other payables	15	45,511	45,511
Deferred tax liabilities	9	2,156	2,254
Lease liabilities	16	1,052,622	1,101,262
Provisions	18	17,080	17,080
Employee benefits	17	20,770	22,267
Total non-current liabilities		**1,138,139**	**1,188,374**
Total liabilities		**1,293,716**	**1,599,376**
Net assets		**1,064,575**	**959,686**
EQUITY			
Issued capital	19	774,249	774,249
Accumulated profit	20	290,326	185,437
Total equity		**1,064,575**	**959,686**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the financial year ending 30 June 2022

	Notes	Issued capital $	Accumulated profit $	Total equity $
Balance at 1 July 2020		774,249	22,715	796,964
Total comprehensive income for the year		–	203,078	203,078
Transactions with owners in their capacity as owners				
Shares issued during period		–	–	–
Costs of issuing shares		–	–	–
Dividends provided for or paid	22	–	(40,356)	(40,356)
Balance at 30 June 2021		**774,249**	**185,437**	**959,686**
Balance at 1 July 2021		774,249	185,437	959,686
Total comprehensive income for the year		–	145,245	145,245
Transactions with owners in their capacity as owners				
Shares issued during period		–	–	–
Costs of issuing shares		–	–	–
Dividends provided for or paid	22	–	(40,356)	(40,356)
Balance at 30 June 2022		**774,249**	**290,326**	**1,064,575**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the financial year ending 30 June 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		1,191,519	1,269,048
Payments to suppliers and employees		(823,293)	(761,093)
Interest received		439	2,238
Interest paid		–	(211)
Lease payments (interest component)		(41,537)	(32,446)
Lease payments not included in the measurement of lease liabilities		(16,868)	(28,243)
Income taxes paid		(73,998)	(132,248)
Net cash provided by operating activities	27	**236,262**	**317,045**
Cash flows from investing activities			
Payment for property, plant and equipment		(237,394)	(43,056)
Payments for intangible assets		(15,170)	(3,875)
Net cash used in investing activities		**(252,564)**	**(46,931)**
Cash flows from financing activities			
Lease payments (principal component)		(44,353)	(57,398)
Dividends paid		(40,631)	(40,706)
Net cash used in financing activities		**(84,984)**	**(98,104)**
Net increase (decrease) in cash held		**(101,286)**	**172,010**
Cash and cash equivalents at the beginning of the financial year		952,082	780,072
Cash and cash equivalents at the end of the financial year	10	**850,796**	**952,082**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the financial year ending 30 June 2022

Note 1. Reporting entity

The financial statements cover Mt Eliza Community Enterprise Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

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: 102 Mount Eliza Way, Mount Eliza VIC 3930
- Principal place of business: 102 Mount Eliza Way, Mount Eliza VIC 3930

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.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 3 October 2022. The directors have the power to amend and reissue 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.

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 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Current and non-current classification

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

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

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

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

Impairment

Non-derivative financial assets

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2022.

Non-financial assets

At each reporting date, the company reviews the carrying amounts 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 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, 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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.

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.

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

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. 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.

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.

Note 5. Economic dependency (continued)

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

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

Note 6. Revenue from ordinary activities

	2022 $	2021 $
Margin income	1,068,715	1,069,590
Fee income	45,880	47,206
Commission income	87,744	79,880
	1,202,339	**1,196,676**

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

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

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

Revenue	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange 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.

Notes to the financial statements (continued)

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. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

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

- plus any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- minus any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

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

Commission

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

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission 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 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 that 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 the time. For other products and services, there is no restriction on the change Bendigo Bank may take.

	2022 $	2021 $

Note 7. Other revenue

Other revenue	2022 $	2021 $
Other income	14,721	5,464
Cash flow boost	–	29,014
Revenue from ordinary activities	**14,721**	**34,478**

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 possible that the economic benefits will flow to the company and can be reliably measured.

Revenue stream	Revenue recognition policy
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.
Cash flow boost	Cash flow boost income is recognised when the right to receive the payment is established (e.g. monthly or quarterly in the activity statement).

All revenue is stated net of the amount of GST.

Cash flow boost

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

Note 8. Expenses

Depreciation and amortisation expense

Depreciation of non-current assets	2022 $	2021 $
Plant and equipment	12,437	3,365
Leasehold improvements	20,447	14,959
	32,884	**18,324**
Depreciation of right-of-use assets		
Leased land and buildings	79,572	83,224
Amortisation of intangible assets		
Franchise fee	12,911	11,943
Total depreciation and amortisation expense	**125,367**	**113,491**

Notes to the financial statements (continued)

	2022 $	2021 $

Note 8. Expenses (continued)

Finance costs

Recurring borrowing costs paid	–	211
Lease interest expense	41,537	32,446
	41,537	**32,657**

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

Employee benefit expenses

Wages and salaries	539,953	437,098
Non-cash benefits	2,887	8,866
Superannuation contributions	54,752	40,650
Expenses related to long service leave	(1,496)	1,053
Other expenses	19,549	21,388

Leases recognition exemption

Expenses relating to low-value leases	16,868	28,243

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 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

Charitable donations, sponsorship, advertising and promotion

Direct sponsorship, advertising and promotion payments	65,022	82,876

Note 9. Income tax

Income tax expense

	2022 $	2021 $
Current tax	62,180	77,405
Movement in deferred tax	(8,434)	(8,559)
Aggregate income tax expense	**53,746**	**68,846**

Prima facie income tax reconciliation

	2022 $	2021 $
Profit before income tax expense	198,991	271,924
Tax at the statutory tax rate of 25% (2021: 26%)	49,748	70,700
Tax effect of:		
Non-assessable income	–	(7,544)
Non deductible expenses	3,160	3,231
Timing differences expenses	467	2,459
Reduction in company tax rate	371	–
	53,746	**68,846**
Deferred tax asset attributable to:		
Employee provisions	13,550	13,730
Make-good provision	4,270	4,441
Lease liability	275,316	297,860
Right-of-Use assets	(263,566)	(294,797)
Deferred tax asset	**29,570**	**21,234**
Deferred tax liability attributable to:		
Income accruals	–	203
Expense accruals	2,156	2,051
Deferred tax liabilities	2,156	2,254
Income tax payable	**6,360**	**18,179**

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.

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.

	2022 $	2021 $

Note 9. Income tax (continued)

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.

Note 10. Cash and cash equivalents

	2022 $	2021 $
Cash at bank and on hand	850,796	331,060
Term deposits	–	621,022
	850,796	**952,082**

Note 11. Trade and other receivables

	2022 $	2021 $
Current assets		
Trade receivables	129,769	104,229
Prepayments	8,625	7,887
Other receivables and accruals	–	1,218
	138,394	**113,334**
Non-current assets		
Trade receivables	–	7,515
	138,394	**120,849**

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.

	2022 $	2021 $

Note 12. Property, plant and equipment

	2022 $	2021 $
Leasehold Improvements - at cost	218,093	218,093
Less: accumulated depreciation and impairment	(34,623)	(14,176)
	183,470	**203,917**
Plant and equipment - at cost	31,373	31,373
Less: accumulated depreciation and impairment	(8,705)	(5,617)
	22,668	**25,756**
Motor Vehicles - at cost	37,968	37,968
Less: accumulated depreciation and impairment	(9,920)	(572)
	28,048	**37,396**
	234,186	**267,069**

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 2020	**34,282**	**83,465**	**–**	**117,747**
Additions	183,811	24,388	37,968	246,167
Disposals	–	(76,480)	–	(76,480)
Depreciation	(14,176)	(5,617)	(572)	(20,365)
Balance at 1 July 2021	**203,917**	**25,756**	**37,396**	**267,069**
Additions	–	–	–	–
Disposals	–	–	–	–
Depreciation	(20,447)	(3,088)	(9,348)	(32,883)
Balance at 30 June 2022	**183,470**	**22,668**	**28,048**	**234,186**

Accounting policy for property, plant and equipment

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

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

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

- Plant and equipment – 2 to 20 years
- Leasehold improvements – 10 to 20 years
- Motor vehicles – 4 to 8 years

	2022 $	2021 $

Note 12. Property, plant and equipment (continued)

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

	2022 $	2021 $
Land and buildings - right of use	1,193,515	1,193,515
Less: accumulated depreciation	(139,251)	(59,679)
	1,054,264	**1,133,836**

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 2020	**1,193,515**
Depreciation	(59,679)
Balance at 1 July 2021	**1,133,836**
Depreciation	(79,572)
Balance at 30 June 2022	**1,054,264**

Accounting policy for right-of-use assets

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

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

Refer to Note 16 for more information on lease arrangements.

	2022 $	2021 $

Note 14. Intangibles

Franchise fee – at cost	64,555	64,555
Less: accumulated amortisation	(22,594)	(9,683)
Redomicile fee	9,120	9,120
	51,081	**63,992**

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

	Franchise fee $	Redomicile fee $	Total $
Balance at 1 July 2020	–	**9,120**	**9,120**
Renewal costs	64,555	–	64,555
Amortisation expense	(9,683)	–	(9,683)
Balance at 1 July 2021	**54,872**	**9,120**	**63,992**
Amortisation expense	(12,911)	–	(12,911)
Balance at 30 June 2022	**41,961**	**9,120**	**51,081**

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. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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)	September 2025

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.

	2022 $	2021 $

Note 15. Trade other payables

	2022 $	2021 $
Current liabilities		
Trade payables	8,143	242,342
Other payables and accruals	59,004	75,585
	67,147	**317,927**
Non-current liabilities		
Other payables and accruals	45,511	45,511
	112,658	**363,438**

Accounting policy for trade and other payables

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

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

Note 16. Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	85,891	85,891
Unexpired interest	(37,250)	(41,537)
Non-current liabilities		
Land and buildings lease liabilities	1,416,445	1,416,445
Unexpired interest	(363,823)	(315,183)
Reconciliation of lease liabilities		
Opening balance	1,145,616	26,579
Additional lease liabilities recognised	–	1,176,435
Lease interest expense	41,537	32,446
Lease payments - total cash outflow	(85,890)	(89,844)
Maturity analysis		
No later than 12 months	88,467	85,891
Between 12 months and 5 years	484,503	470,162
Greater than 5 years	843,477	946,284
	1,416,447	**1,502,337**

	2022 $	2021 $

Note 16. 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 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:

Mt Eliza branch

The lease agreement commenced in October 2020 for a 5 year term. The company has 2 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is October 2035. The discount rate used in calculations is 3.69%.

Note 17. Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	33,429	30,542
Non-current liabilities		
Provision for long service leave	20,770	22,267

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.

	2022 $	2021 $

Note 18. Provisions

	2022 $	2021 $
Lease make good	17,080	17,080

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 $17,080 for the Mt Eliza Branch lease, based on experience and consideration of the expected future costs to remove all fittings as well as cost to remedy any damages caused during the removal process. The lease is due to expire on October 2035 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. If the time value of money is material, 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 19. Issued capital

	2022 shares	2021 shares	2022 $	2021 $
Ordinary shares – fully paid	807,110	807,110	774,249	774,249

Accounting policy for issued capital

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

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.

	2022 $	2021 $

Note 19. Issued capital (continued)

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the '10% limit').
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the 'close connection test').
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the 'base number test'). The base number is 195. As at the date of this report, the company had 195 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. Accumulated profits

Balance at the beginning of the financial year	185,437	22,715
Profit after income tax expense for the year	145,245	203,078
Dividends paid (Note 22)	(40,355)	(40,355)
Balance at the end of the financial year	**290,326**	**185,438**

	2022 $	2021 $

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. Dividends

Dividends provided for and paid during the period

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

	2022 $	2021 $
Fully franked dividend of 5 cents per share	**40,355**	**40,355**
Franking credits		
Franking account balance at the beginning of the financial year	116,941	–
Franking credits (debits) arising from income taxes paid (refunded)	73,998	132,248
Franking account balance at the end of the financial year	190,939	132,248
Franking debits from the payment of franked distributions	(13,452)	(15,307)
	177,487	**116,941**
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	177,487	116,941
Franking credits (debits) that will arise from payment (refund) of income tax	6,361	18,179
Franking credits available for future reporting periods	183,848	135,120

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

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

	2022 $	2021 $

Note 23. Financial Instruments

Financial assets		
Trade and other receivables	129,769	120,849
Cash and cash equivalents	850,796	952,082
	980,565	**1,072,931**
Financial liabilities		
Trade and other payables	112,658	317,927
Lease liabilities	1,101,263	1,145,616
	1,213,921	**1,463,543**

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.

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 23. Financial Instruments (continued)

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $850,796 at 30 June 2022 (2021: $952,082). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

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 of the bank.

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.

	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
2022 Non-derivatives				
Trade and other payables	67,147	45,511	–	112,658
Lease liabilities	48,641	291,506	761,116	1,101,263
Total non-derivatives	**115,788**	**337,017**	**761,116**	**1,213,921**
2021 Non-derivatives				
Trade and other payables	272,416	45,511	–	317,927
Lease liabilities	44,353	267,311	833,952	1,145,616
Total non-derivatives	**316,769**	**312,822**	**833,952**	**1,463,543**

Note 24. Key management personnel disclosures

The following persons were directors of Mount Eliza Community Enterprise Limited during the financial year.

Reagan Harrison Barry
Robert Charles Gauci
Joanne Horton
Gregory Russo
James Craig Batty
Alexandra Godfrey
Matthew Wilson

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.

Notes to the financial statements (continued)

	2022 $	2021 $

Note 25. Related party transactions

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

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ashfords Accountants and Advisory, the auditor of the company:

Audit and review services		
Audit and review of financial statements	5,500	5,080
	5,500	**5,080**

Note 27. Reconciliation of profit after income tax to net cash provided by operating activities

Profit after income tax expense for the year	**145,245**	**203,078**
Adjustments for:		
Depreciation and amortisation	125,367	113,491
(Profit)/loss on disposal of non-current assets	–	14,917
Changes in operating assets and liabilities:		
Decrease)/(increase) in trade and other receivables	(25,540)	37,894
(Increase)/decrease in other assets	7,993	(365)
Increase/(decrease) in trade and other payables	2,058	1,513
Increase/(decrease) in employee benefits	1,391	9,918
Increase/(decrease) in tax liabilities	(20,252)	(63,402)
Net cash provided by operating activities	**236,262**	**317,045**

Note 28. Earnings per share

Based and diluted earnings per share	Cents	Cents
Basic earnings per share	17.99	26.22
Diluted earnings per share	17.99	26.22

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Mt Eliza Community Enterprise Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 29. Commitments

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

Note 30. Contingencies

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 31. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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 2022

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 2022 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

Reagan H. Barry
Chairman

3 October 2022

Independent audit report

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Unit 301, 148 Logis Boulevard, Dandenong South VIC 3175
PO Box 4525, Dandenong South VIC 3164
(03) 9551 2822
info@ashfords.com.au

Mount Eliza Community Enterprise Limited

Independent Audit Report to the members of Mount Eliza Community Enterprise Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

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

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Responsibilities of Directors for the Financial Report

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

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

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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ashfords Audit and Assurance

Ashfords Audit and Assurance Pty Ltd

Andrew White - CA
Director

26 October 2022

Level 3, 148 Logis Boulevard, Dandenong South, Vic. 3175

We acknowledge and pay our respect to the Bunurong people, the traditional custodians of the land on which we operate.

Community Bank · Mt Eliza
102 Mt Eliza Way
Mt Eliza VIC 3930
Phone: 9787 1224
Email: mteliza@bendigoadelaide.com.au
Web: bendigobank.com.au/mt-eliza

Franchisee: Mt Eliza Community Enterprise Limited
ABN: 18 139 499 326
PO Box 307
Mt Eliza VIC 3930
Phone: 0407 560 586
Email: secretary@mece.com.au

Share Registry: RSD Registry
PO Box 30, Bendigo VIC 3552
Phone: 5445 4222 | Fax: 5444 4344
Email: shares@rsdregistry.com.au
Web: www.leadgroup.com.au

facebook.com/communitybankmteliza

instagram.com/communitybank_mteliza/

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_25965040 26/09/2022