Annual Report 2022

Mukinbudin Community Financial Services Limited

Community Bank · Mukinbudin

ABN 64 098 223 904

Contents

Our Mission Statement

To be a leader in the provision of banking services to Mukinbudin and surrounding districts and to return profits generated back to the local communities.

Company Objectives

To provide Shareholders and the community with a quality banking service, to observe best practice business ethics, and a safe workplace for employees. To pursue our mission statement we will communicate with our local community and seek their support in achieving our goals.

Chairperson’s Report

For the year ending 30 June 2022

This financial year started with the continued downward trend of interest rates impacting our margin earnings. The resignation of some senior staff and a tight labour market created a lower wage base and, with close monitoring and reduced spending in non-essential areas, the team were able to keep on top of expenses and ensure a small profit for the year.

The team outdid all expectations for growth this year, with a budgeted growth of around $5 million and actual growth of $15 million. This is truly an exceptional result. Much of the credit must go to our Branch Manager, Tara Chambers, who has fostered relationships to bring in business from outside our area. This can only be achieved with the support of the team, so I congratulate all the staff for their hard work during the year.

Towards the end of the year interest rate increases have moved in an upward direction. This has had a direct result in higher margin earnings and the future looks very bright for our business next year.

Over the years, we have faced the challenges of staff attraction and retention, and this was compounded in recent years with the impact Covid had on our community. During a period when it has been very difficult to attract and retain staff, we have seen several of our people leave to take up other opportunities, relocate to other communities or take maternity leave. We understand the challenges and pressures this placed on our business and thank our staff for going above and beyond at times when they have been stretched.

The board will continue to strive to foster a working environment that is one of productivity and enjoyment, where people want to be at work and look forward to the challenges of the role.

The banking industry is evolving at a fast pace with systems and technology struggling to evolve at a similar pace. With the adoption of digital services by our customers, especially the younger generations, our understanding of what our branch structure will look like going forward is always under revision. Our current branch refit has hit a few snags with us not being able to secure a suitable builder. We are currently revising the scope of works to make the project smaller and hopefully more achievable.

With the current uplift in the cash rates, pressure on our interest margins have eased. The subsequent improvement to income generated is a positive sign that we will achieve an increased profit this year compared to previous years.

I would like to acknowledge our outgoing chairman Hugh Morgan, who resigned from the board due to the need to concentrate on his family and own farming business. Hugh has been a valuable member for the past five years and I thank him for his contribution. Thanks also go to the remaining board members for their ongoing work, and I look forward to announcing a new Chairman at the AGM.

Steve Lange
Interim Chairman

Bendigo Bank Limited Report

For year ending 30 June 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

Directors' Report

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

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Hugh Geoffrey Michael Morgan
Chair
Occupation: Farmer
Qualifications and experience: Hugh holds a Certificate III in Agriculture and a Wool Classing Certificate. He has been actively working in agriculture since 2000 and became a Director in Morgan Tirrana Farms 2012 then equal ownership in 2018. Past President of Bencubbin Lions Club, Bencubbin Golf Club. Current active member of Bencubbin Lions Club, Bencubbin Primary School Council with special responsibility of Finance Auditor (BPS).
Special responsibilities: Chair
Interest in shares: 2,000

Steven Leslie Lange
Secretary
Occupation: Business Proprietor
Qualifications and experience: Steven holds a Certificate/Diploma of Management from Charles Sturt University Bathurst and has owned and managed his business for over 21 years. Previously he was a bank officer for 21 years, 6 years of that time as manager. He is also involved in various community groups.
Special responsibilities: Treasurer
Interest in shares: 15,001

Troy Leon Baker
Director
Occupation: Contract Mechanic
Qualifications and experience: Troy has worked as a mechanic in a variety of industries including agriculture, automotive, transport, construction, mining and science/government. Since 2011 he he has run his own mobile mechanic business servicing the local agricultural industry. In 2022 he became involved in the management of the Family Farm. He is also a member of the Mukinbudin Volunteer Fire and Emergency Service.
Special responsibilities: Nil
Interest in shares: 1,700

Vanessa Munns
Director
Occupation: Business Proprietor
Qualifications and experience: BSC (honours) in Biochemistry from ANU. Worked as a lab manager at UWA before moving into scientific sales. Tupperware consultant for 15 years in Central Wheatbelt. Owner of Mrs Munns Music Studio teaching music to students in Wheatbelt. Involved as President of Beacon Netball Club (3 years), Registrar and Director of the Central Wheatbelt Netball Association, Vice President of Beacon Primary School P&C, Chair of Beacon Primary School Council. Partnership in own family business.
Special responsibilities: Nil
Interest in shares: Nil

Andrew Frederick Sprigg
Director
Occupation: Farmer
Qualifications and experience: Volunteer Fire and Rescue. Bonnie Rock Fire Brigade Captain and Deputy Fire Control Officer at Mukinbudin Fire Brigade. Volunteer local Motorcycle events and Equestrian events. Current Cropping Operations Manager, machinery procurement, involved in mining industry services, exploration, earthmoving.
Special responsibilities: Nil
Interest in shares: Nil

Kerryn Ann Seaby
Director (Resigned 22nd November 2021)
Occupation: Retired Farmer
Qualifications and experience: Partner in farming operation for 40 years. Teacher at local primaryschool for 35 years. Played, coached and helped in sporting clubs (netball, basketballand tennis). Attend and have held leadership roles in a local church.
Special responsibilities: Nil
Interest in shares: Nil

Directors’ Report (continued)

Bradley John Anderson
Director (Appointed 1st June 2022)
Occupation: Business Proprietor
Qualifications and experience: Bradley has worked in many industries over the course of his career. This includes 13 years in automotive sales, 10 years as a locomotive driver and now as a self-employed business operator. Brad has held many roles in different sporting and community organizations. Most notably he was a Councillor for 8 years at the Shire of Merredin, and as such has been involved in a range of local and regional community projects.
Special responsibilities: Nil
Interest in shares: Nil

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

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

Company secretary

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

- Vanessa Munns was appointed company secretary on 31 August 2021.
- Karen Beale was appointed as company secretary on 19 May 2020 and ceased on 13 October 2021.

Principal activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year, after provision for income tax, was:

Year ended 30 June 2022 ($)	Year ended 30 June 2021 ($)
55,552	25,536

Dividends

No dividends were declared or paid in the current financial year.

Significant changes in state of affairs

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

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company, in future years.

Directors’ Report (continued)

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.

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 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.

Indemnification 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’ Meetings

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

	Board meetings	
	Eligible	**Attended**
Hugh Geoffrey Michael Morgan	10	8
Steven Leslie Lange	10	10
Troy Leon Baker	10	8
Vanessa Munns	10	9
Andrew Frederick Sprigg	10	9
Kerryn Ann Seaby	5	4
Bradley John Anderson	3	3

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*.

Directors' Report (continued)

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 replated entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contact to insure the auditor of the company or any other 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 the 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 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 decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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

Hugh Geoffrey Michael Morgan
Chair

26 September 2022

Directors' Report (continued)

Auditor's Independence Declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

As lead auditor for the audit of Mukinbudin Community Financial Services Limited for the year ended 30 June 2022, 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: 26 September 2022

Adrian Downing
Lead Auditor

Financial Statements

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Notes	2022 $	2021 $
Revenue from ordinary activities	6	553,214	525,673
Other revenue	7	34,982	54,857
Finance revenue		223	378
Employee benefits expense	8	(349,629)	(334,229)
Charitable donations, sponsorship, advertising and promotion		(32,545)	(26,645)
Occupancy and associated costs		(15,918)	(9,939)
Systems costs		(16,674)	(18,361)
Depreciation and amortisation expense	8	(23,844)	(25,243)
Finance costs	8	(2,189)	(2,346)
General administration expenses		(73,551)	(137,125)
Profit before income tax		**74,069**	**27,020**
Income tax expense	9	(18,517)	(1,484)
Profit after income tax	19	**55,552**	**25,536**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the ordinary shareholders of the company;		**55,552**	**25,536**
Earnings per share		**Cents**	**Cents**
Basic/diluted earnings per share	27	13.67	6.28

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

Financial Statements (continued)

Statement of financial position
For the year ended 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	275,792	180,876
Trade and other receivables	11	64,753	49,357
Current tax assets	9	-	849
Total Current Assets		**340,545**	**231,082**
Non-Current Assets			
Property, plant and equipment	12	56,897	66,558
Right-of-use assets	13	38,285	27,373
Intangible assets	14	62,027	5,888
Deferred tax assets	9	5,275	23,793
Total Non-Current Assets		**162,484**	**123,612**
Total Assets		**503,029**	**354,694**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	38,800	31,202
Provisions	16/17	45,902	30,642
Total Current Liabilities		**84,702**	**61,844**
Non-Current Liabilities			
Trade and other payables	15	58,182	-
Provisions	16/17	50,955	39,212
Total Non-Current Liabilities		**109,137**	**39,212**
Total Liabilities		**193,839**	**101.056**
Net Assets		***309,190***	***253,638***
Equity			
Issued capital	18	399,201	399,201
Accumulated losses	19	(90,011)	(145,563)
Total Equity		**309,190**	**253,638**

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

Financial Statements (continued)

Statement of changes in equity
For the year ended 30 June 2022

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2020	**399,201**	**(171,099)**	**228,102**
Total comprehensive income for the year	**-**	**25,536**	**25,536**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2021	**399,201**	**(145,563)**	**253,638**
Balance at 1 July 2021	**399,201**	**(145,563)**	**253,638**
Total comprehensive income for the year	**-**	**55,552**	**55,552**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2022	**399,201**	**(90,011)**	**309,190**

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

Financial Statements (continued)

Statement of cash flows
For the year ended 30 June 2022

	Notes	2022 $	2021 $
Cash Flows from operating activities			
Receipts from customers (inc GST)		639,137	626,894
Payments to suppliers and employees (inc GST)		(526,145)	(571,908)
Interest received		133	476
Income taxes refunded/(paid)		850	(1,039)
Net cash provided by operating activities	**16**	**113,975**	**54,423**
Cash Flows from investing activities			
Payments for property, plant and equipment		(2,465)	(1,271)
Payments for intangible assets		(11,412)	(11,412)
Proceeds for disposal of property, plant and equipment		-	909
Net cash used in investing activities		**(13,877)**	**(11,774)**
Cash Flows from financing activities			
Repayment of lease liabilities	16	(5,182)	-
Net cash used in financing activities		**(5,182)**	**-**
Net increase in cash and cash equivalents		**94,916**	**42,649**
Cash and cash equivalents at the beginning of the financial year		**180,876**	**138,277**
Cash and cash equivalents at the end of the financial year	**10**	**275,792**	**180,876**

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

Notes to the Financial Statements

Note 1. Reporting Entity

The financial statements cover Mukinbudin Community Financial Services Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is 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 29 Shadbolt Street, Mukinbudin WA 3479.

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 26 September 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.

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 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.

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

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.

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 contracts with customers

	2022 $	2021 $
Margin income	319,800	317,051
Fee income	30,398	29,264
Commission Income	203,016	179,358
Revenue from contracts with customers	**553,214**	**525,673**

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

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

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

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

Note 6. Revenue from contracts with customers (continued)

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

Revenue calculation
The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates. 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 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 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

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

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

Note 6. Revenue from contracts with customers (continued)

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 7. Other revenue

	2022 $	2021 $
Net gain on disposal of property, plant and equipment	-	909
Market development fund	16,250	23,542
Cash flow boost	-	25,133
Other income	18,732	5,273
Other revenue	**34,982**	**54,857**

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

Revenue Stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.
Gain on sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

All revenue is stated net of the amount of GST.

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

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

Note 7. Other revenue (continued)

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

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 sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

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

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

Notes to the Financial Statements (continued)

Note 8. Expenses

	2022 $	2021 $
Depreciation and amortisation expense		
Depreciation of non-current assets:		
Furniture and fittings	6,410	5,769
Motor Vehicles	5,716	5,716
	12,126	**11,485**
Depreciation of right-of-use assets:		
Leased land and buildings	**2,566**	**2,566**
Amortisation of intangible assets:		
Franchise fee	1,722	2,238
Franchise renewal fee	7,430	8,954
	9,152	**11,192**
	23,844	**25,243**
Finance costs		
Lease interest expense	2,189	2,346

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

Employee benefits expense		
Wages and salaries	308,800	284,793
Superannuation contributions	28,053	27,151
Expenses related to long service leave	3,200	(359)
Other expenses	9,576	22,644
	349,629	**334,229**
Leases recognition exemption		
Expenses related to low value leases	6,550	6,545

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.

Note 9. Income tax

	2022 $	2021 $
The components of income tax expense comprise:		
Movement in deferred tax	(6,479)	(1,029)
Reduction in company tax rate	-	952
Recoupment of prior year tax losses	24,996	1,561
Aggregate income tax expense	**18,517**	**1,484**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Profit before income tax expense	74,069	27,020
Prima facie tax on profit from ordinary activities at 25% (2021: 26%)	18,517	1,484
Add tax effect of:		
Non-deductible expenses	-	42
Reduction in company tax rate	-	952
Other assessable income	-	(6,535)
Income tax expense	**18,517**	**1,484**
Deferred tax assets/(liabilities):		
Tax losses	4,065	29,061
Employee benefits	11,101	6,972
Accrued expenses	814	775
Income accruals	(23)	(25)
Lease liabilities	13,113	10,492
Right-of-use assets	(9,571)	(6,843)
Property, plant and equipment	(14,224)	(16,639)
Deferred tax asset	**5,275**	**23,793**
Income tax refund due	**-**	**849**

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

	2022 $	2021 $
Cash at bank and on hand	224,376	129,639
Term deposits	51,416	51,237
	275,792	**180,876**

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 receivables

	2022 $	2021 $
Trade receivables	**56,699**	**42,357**
Accrued income	90	98
Prepayments	7,964	6,902
	8,504	**7,000**
	64,753	**49,357**

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.

Notes to the Financial Statements (continued)

Note 12. Property, plant and equipment

	2022 $	2021 $
Motor Vehicles		
At cost,	45,727	45,727
Less accumulated depreciation	(17,367)	(11,650)
	28,360	**34,07**
Furniture and Fittings		
At cost	239,164	236,699
Less accumulated depreciation	(210,627)	(204,218)
	28,537	**32,481**
Total written down amount	**56,897**	**66,558**
Movements in carrying amounts:		
Motor Vehicle		
Carrying amount at beginning	34,076	39,792
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,716)	(5,716)
Carrying amount at end	**28,360**	**34,076**
Furniture and Fittings		
Carrying amount at beginning	32,482	36,979
Additions	2,465	1,272
Disposals	-	-
Less: depreciation expense	(6,410)	(5,769)
Carrying amount at end	**28,537**	**32,482**
Total written down amount	**56,897**	**66,558**

Note 12. Property, plant and equipment (continued)

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

Furniture, fixtures and fittings	1 to 20 years
Motor 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

	2022 $	2021 $
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 – right of use	27,373	29,969
Depreciation expense	(2,566)	(2,566)
Remeasurement adjustments	13,478	-
	38,285	**27,373**

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.

Notes to the Financial Statements (continued)

Note 13. Right-of-use assets (continued)

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.

Note 14. Intangibles

	2022 $	2021 $
Franchise fee	112,074	101,192
Less: accumulated amortisation	(101,736)	(100,014)
	10,338	**1,178**
Franchise renewal fee	159,178	104,769
Less: accumulated amortisation	(107,489)	(100,059)
	62,027	**5,888**

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 2020	3,416	13,664	17,080
Amortisation expense	(2,238)	(8,954)	(11,192)
Balance at 30 June 2021	1,178	4,710	5,888
Additions	10,882	54,409	65,291
Amortisation expense	(1,722)	(7,430)	(9,152)
Balance at 30 June 2022	**(10,338)**	**(51,689)**	**(62,027)**

Additions
During the financial year the franchise fees was renewed. It is to be amortised over five years to March 2027.

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

Note 14. Intangibles (continued)

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)	March 2027
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	March 2027

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

	2022 $	2021 $
Current liabilities:		
Trade payables	595	-
Other payables and accruals	38,205	31,202
	38,800	**31,202**
Non-current liabilities:		
Other payables and accruals	58,182	-

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 yearand 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.

Notes to the Financial Statements (continued)

Note 16. Lease liabilities

	2022 $	2021 $
Current liabilities:		
Land and expired buildings lease liabilities	5,182	5,182
Unexpired interest	(2,768)	(2,189)
	2,414	**2,993**
Non-current liabilities:		
Land and expired buildings lease liabilities	70,818	50,091
Unexpired interest	(20,779)	(11,116)
	50,039	**38,975**
Reconciliation of lease liabilities:		
Opening balance	41,968	44,804
Remeasurement adjustments	13,478	-
Lease incentives received	-	(5,182)
Lease interest expense	2,189	-
Lease payments – total cash outflow	(5,182)	-
	52,453	**41,968**
Maturity analysis:		
Not later than 12 months	5,182	5,182
Between 12 months and 5 years	20,727	20,727
Greater than 5 years	50,091	29,364
	76,000	**55,273**

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.

Note 16. Lease liabilities (continued)

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:

Mukinbudin Branch	The lease agreement commenced in March 2002. A 5 year renewal option was exercised in March 2022. 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 dateused in the calculation of the lease liability is March 2037. The discount rate used in calculations is 4.29%.

Note 17. Employee benefits

	2022 $	2021 $
Current liabilities:		
Annual leave	34,326	21,008
Long service leave	9,162	6,641
	43,488	**27,649**
Non-current liabilities		
Long service leave	**916**	**237**

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.

Note 17. Employee benefits (continued)

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 18. Issued capital

	2022 $	2021 $
406,510 Ordinary shares fully paid (2021: 406,510)	406,510	406,510
Less: equity raising expenses	(7,309)	(7,309)
	399,201	**399,201**

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.

Note 18. Issued capital (continued)

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.

<u>Dividends</u>
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).

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

Note 19. Accumulated losses:

	2022 $	2021 $
Accumulated losses at the beginning of the financial year	(145,563)	(171,099)
Profit after income tax expense for the year	55,552	25,536
Balance at the end of financial year	**(90,011)**	**(145,563)**

Note 20. 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 21. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 22. Financial instruments

	2022 $	2021 $
Financial assets:		
Trade and other receivables	56,789	42,455
Cash and cash equivalents	275,792	180,876
	332,581	**223,331**
Financial liabilities:		
Long service leave	96,982	31,202
Lease liabilities	52,453	41,968
	149,435	**73,170**

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.

Note 22. Financial instruments (continued)

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.

The company held cash and cash equivalents of $275,792 at 30 June 2022 (2021: $180,876). 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.

2022	**1 year or less $**	**Between 1 and 5 years $**	**Over 5 Years $**	**Remaining Contractual Maturities ($)**
Non-derivatives:				
Trade and other payables	38,800	58,182	-	96,982
Lease liabilities	5,182	20,727	50,091	76,000
	43,982	**78,909**	**50,091**	**172,982**

2021	**1 year or less $**	**Between 1 and 5 years $**	**Over 5 Years $**	**Remaining Contractual Maturities ($)**
Non-derivatives:				
Trade and other payables	31,202	-	-	31,202
Lease liabilities	5,182	20,727	29,364	55,273
	36,384	**20,727**	**29,364**	**86,475**

Notes to the Financial Statements (continued)

Note 23. Key management personnel disclosures

The following persons were directors of Mukinbudin Community Financial Services Limited during the financial year:

Hugh Geoffrey Michael Morgan
Troy Leon Baker
Kerryn Ann Seaby
Bradley John Anderson
Steven Leslie Lange
Vanessa Munns
Andrew Frederick Sprigg

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:

	2022 $	2021 $
Steven Leslie Lange is a director of the company that owns the branch premises andreceives rent. No rent paid in prior financial year. The total benefit received was:	5,182	-

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:

	2022 $	2021 $
Audit services:		
Audit or review of the financial statements	5,200	5,000
Other services:		
Taxation advice and tax compliance services	600	600
General advisory services	2,320	2,120
Share registry services	2,000	1,900
	4,920	**4,460**
Total remuneration of auditors	**10,120**	**9,620**

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

	2022 $	2021 $
Profit from ordinary activities after income tax	55,552	25,536
Adjustments for:		
Depreciation and amortisation	23,844	25,243
Net gain on disposal of non-current assets	-	(909)
Lease liability interest	2,189	-
Changes in operating assets and liabilities:		
Increase in trade and other in receivables	(15,396)	(1,557)
Decrease in income and tax refund due	849	-
Decrease in deferred tax assets	18,518	-
Decrease in other operating assets	-	13,935
Increase/(decrease) in trade and other payables	11,901	(1,464)
Increase/(decrease) in employee benefits	16,518	(6,361)
Net cash flows provided by operating activities	**113,975**	**54,423**

Note 27. Earnings per share

		2019 $	2018 $
a.	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	95,693	17,063
		Number	**Number**
b.	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	406,510	406,510

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Mukinbudin Community Financial Services 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 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 to affect the financial statements.

Note 30. 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

In accordance with a resolution of the directors of Mukinbudin Community Financial Services Limited, we state that, in the opinion of the directors:

(a) 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;

(b) 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;

(c) 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

(d) 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

Hugh Geoffrey Michael Morgan
Chair

26 September 2022

Independent Audit Report

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Independent auditor’s report to the Directors of Mukinbudin Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

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

- Statement of financial position as at 30 June 2022
- 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 Mukinbudin Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company’s financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Other Information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity'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.

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.

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Independent Audit Report (continued)

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 26 September 2022

Adrian Downing
Lead Auditor

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Bendigo Bank