Annual Report 2022

Paynesville & District Financial Services Ltd

Community Bank
Paynesville & District

ABN 80 115 308 015

Contents

Chairman's report

For year ending 30 June 2022

It gives me great pleasure to present our 2022 Annual Report.

On behalf of the Board of Directors, I am pleased to report that this year the business growth of Community Bank Paynesville & District has continued to increase, due to the hard work of our Branch Manager and staff.

This is particularly pleasing due to the tough COVID-19 environment, as record low interest rates continue to constrain our profitability.

In 2021-22, several community groups were funded through the Community Partnership Program, which assisted local organisations in conducting events, activities and projects within our local area, which is a vital part of the Bendigo Community Bank model. This year we have supported organisations such as the Paynesville RSL, the Paynesville Football & Netball Club, Koalas of Raymond Island and the AJ Freeman Reserve Committee, plus other local projects. Through the support of these community groups and their activities, Community Bank Paynesville & District contributes towards Paynesville's development into a strong, inclusive community.

This year, our Board has had no changes, and I would like to thank each Board member for their ongoing support and commitment to their roles within the organisation. I would also like to thank the branch staff and our Secretary for the support provided throughout the year. 2022 has proved to be another very challenging year due to COVID-19, however the staff have dealt with the extra demands regarding social distancing and hygiene requirements in an efficient and competent manner. We expect that some businesses in our region will take a long time to recover from the effects of the ongoing pandemic.

I would also like to thank Angela Fleischer who retired in July 2022 for her 12 years of dedicated service. She was an important part of our team and will be missed by her fellow employees and our loyal customers.

As a Board, our priority is to support Community Bank Paynesville & District to provide excellent Bendigo Bank financial services, to support our community organisations, to ensure sound governance of the business, and to deliver long-term growth and profitability for our shareholders. This year, it gives me great pleasure to announce that the Board of Directors have proposed to pay a fully franked dividend of 5 cents per share to be paid on 1 December 2022.

We thank our shareholders and our customers for their support, and we look forward to a successful year ahead in 2023.

Janet McLeod
Chairman

Manager's report

For year ending 30 June 2022

It is with great pleasure I present to you 2021-22 Branch Manager's report.

I would like to take this opportunity to thank the Board members, shareholders, customers and the Paynesville and district community who have supported me over the last 12 months.

I would also like to acknowledge the staff for their dedication, enthusiasm and commitment to provide the best customer service experience possible for our customers. Their efforts are truly valued. This year we saw the departure of long-term staff members Angela and Brod. I would like to thank them for their contribution to Community Bank Paynesville & District over the years. We also welcomed Marcia to the team in February. Marcia comes with a wealth of knowledge and experience having come across from Bendigo Bank Bairnsdale to work closer to where she lives here in Paynesville. I look forward to working with Marcia over the coming years.

This year we have seen the RBA cash rate stabilise at a record low 0.10% followed by record rate rises in the later months of the financial year with more predicted in the coming months. Despite the low interest rate environment Community Bank Paynesville & District has had a consistent year. For this financial year our business growth was $12.668 million taking our total business to $122.232 million. Looking ahead with predicted interest rate rising we are hoping to see increased profitability in coming years.

This year we celebrated achieving over $600,000 in community grants since opening. A figure in which we are extremely proud of and hoping to significantly build on in the years to come. To allow us to do this we need your help; the more you support Community Bank Paynesville & District, the more we can give back to the community. I urge you to ask yourself whether you want your banking to contribute to your community if it does not do so already.

Similar to last year, what a year it has been with the ongoing COVID-19 pandemic. Like all businesses, Community Bank Paynesville & District has had to adapt the way in which we do business complying with all the relevant government measures and hygiene standards. We have seen further enhancements in the digital space providing new ways to interact with our customers providing them choice to interact with us digitally through DocuSign or face-to-face in person. Either way the human touch to banking is still as important as ever.

We would love the opportunity to discuss any banking, wealth and insurance needs you may have or any existing products held, we can review to see if we can find a suitable product to help you grow your financial wellbeing.
Hope to see you soon.

Jack van Reyk
Branch Manager

Directors' report

The directors present their report, together with the financial statements, on the company for the 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:

Name:	Janet Louise McLeod
Title:	Chair and Treasurer
Experience and expertise:	Janet is a Chartered Accountant. Janet has over 30 years experience in Professional Accounting. Janet has a Master of Applied Taxation, a Master of Business Administration, is a Chartered Accountant (CA SMSF Specialist) and Chartered Tax Adviser.
Special responsibilities:	Human Resources Committee, Audit, Risk, Governance and Finance Committee, Marketing and Business Development Committee and Strategic Planning Committee.

Name:	Andrew Charles Quirke
Title:	Deputy Chair
Experience and expertise:	Andrew is a small business owner and motor mechanic, President of the Bairnsdale Tennis Club and member of Bairnsdale Field and Game.
Special responsibilities:	Marketing and Business Development Committee and Human Resources Committee.

Name:	Peter John Markwell
Title:	Non-executive director
Experience and expertise:	Peter has worked as a stock exchange floor operator, a money market operator in cash and securities, CEO at the National Mortgage Market Corporation Ltd (a Victorian government-sponsored corporation), and a mortgage lending consultant at National Mortgage Services. He is the Inaugural President at Raymond Island Community Association Inc., and has previously volunteered as a helper at Paynesville Sea Scouts for over 10 years and Meals on Wheels for 7 years.
Special responsibilities:	Marketing and Business Development Committee and Strategic Planning Committee.

Name:	Lynette Joy Wallace
Title:	Non-executive director
Experience and expertise:	Lynette is a current Board Member of East Gippsland Marketing Inc. and previously worked at the following; TAFE Gippsland as Booking and Campus Administrator, Business Manager and Executive Assistant at Gunaikurnai Land and Waters Aboriginal Corporation, Personal Assistant to the Managing Director of a family offset printing company, Production Manager at a manufacturing printing company, Client Service Manager for a national retail company and Studio/Production Manager for various design studios. Lynette has volunteered for many groups and sporting organisations over many years. She has been a committee member of a number of sailing clubs and sailing associations in roles from general committee, Commodore and sailing school Principal.
Special responsibilities:	Chair of Marketing and Business Development Committee, and member of Human Resources Committee.

Name:	Matthew John Butler
Title:	Non-executive director
Experience and expertise:	Mathew has worked in the ICT industry for over 35 years, currently working at the Bairnsdale Secondary College. Treasurer of the AJ Freeman Reserve Committee of Mangement. Volunteer and Committee member of the Paynesville Maritime Museum. Member of the Paynesville Football Netball Club.
Special responsibilities:	Marketing and Business Development Committee, Risk, Audit, Finance and Governance Committee.

Name:	Nicholas Walter George Fordham
Title:	Non-executive director
Experience and expertise:	Nicholas is a Business Analyst with Dyers Transport. Nick holds a Bachelor of Arts, GradCert Training in Change Management and a Graduate Diploma in Business Computing. He is the Chair of Paynesville Primary School Council and Treasurer of Gippsland Lakes Roller Derby Inc. He has been an Executive Director of Federation Training, an IT Manager at Advance TAFE and Project Manager at East Gippsland Institute of TAFE.
Special responsibilities:	Chair of Audit, Risk, Governance, Finance Committee.

Name:	Gary Edwin James Gaffney
Title:	Non-executive director
Experience and expertise:	Director of Bluepen Solutions. Gary has held various senior and local roles over the past 25 years including CEO of East Gippsland Shire and Executive Director of Regional Development Victoria Government. He is currently semi retired and runs a small consultancy business. He is also the Director and Treasurer of the Arthur Grassby Kokoda Scholarship. His education includes an MBA in Executive Business Operations, Graduate Diploma in Business, Graduate Certificate in Business, Diploma of Business Management as well as qualifications in quality assurance and public participation. Former directorships in the past three years include Regional Development Austrailia Gippsland, Gippsland Regional Partnership (State), Canberra Regional Joint Board and Rural Councils Victoria.
Special responsibilities:	Marketing and Business Development Committee, Risk, Audit, Finance and Governance Committee, Chair of Strategic Planning Committee.

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

Company secretary
The Company secretary is Angela Dunkley. Angela was appointed to the position of Company secretary in June 2013.

Experience and expertise:	Angela has worked in the banking and finance industry for approximately 25 years, and as a Personal Assistant for a further six years. Angela has many years experience in a wide variety of occupations including running her own business, primary education aide, managing events and running a cafe/gallery. Angela is also the Secretary of the Paynesville Business and Tourism Association.

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

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

Review of operations
The profit for the company after providing for income tax amounted to $39,425 (30 June 2021: $68,425).

Operations have continued to perform in line with expectations.

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
Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 5 cents per share, to be paid on 1 December 2022. The financial impact of the dividend, amounting to $39,676 has not been recognised in the financial statements for the financial year ended 30 June 2022, and will be recognised in the subsequent financial statements.

There were no other circumstances that have arisen since 30 June 2022 that have significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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

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

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

	Board		Marketing Committee		Human Resources Committee		Audit, Risk, Finance and Governance Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Janet Louise McLeod	12	11	4	4	2	2	-	-
Andrew Charles Quirke	12	11	4	3	2	1	-	-
Peter John Markwell	12	10	4	3	-	-	-	-
Lynette Joy Wallace	12	11	4	4	2	2	-	-
Matthew John Butler	12	11	4	4	-	-	-	-
Nicholas Walter George Fordham	12	8	-	-	-	-	-	-
Gary Edwin James Gaffney	12	7	4	2	-	-	-	-

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

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

	Balance at the start of the year	Changes	Balance at the end of the year
Janet Louise McLeod	5,000	500	5,500
Andrew Charles Quirke	3,001	-	3,001
Peter John Markwell	-	-	-
Lynette Joy Wallace	5,000	-	5,000
Matthew John Butler	-	-	-
Nicholas Walter George Fordham	-	-	-
Gary Edwin James Gaffney	-	-	-

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

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

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

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

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

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

Non-audit services
The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 23 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 decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

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

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

On behalf of the directors

Janet Louise McLeod
Chair

30 September 2022

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 Paynesville & District Financial Services Limited

As lead auditor for the audit of Paynesville & District 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: 30 September 2022

Adrian Downing
Lead Auditor

Financial statements

Paynesville & District Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	6	525,220	536,164
Other revenue	7	16,818	48,123
Finance revenue		386	749
Employee benefits expense	8	(360,197)	(343,086)
Advertising and marketing costs		(3,575)	(2,571)
Occupancy and associated costs		(18,046)	(19,451)
System costs		(17,439)	(19,255)
Depreciation and amortisation expense	8	(27,996)	(28,907)
General administration expenses		(50,027)	(52,166)
Profit before community contributions and income tax expense		65,144	119,600
Charitable donations and sponsorships expense		(12,577)	(34,404)
Profit before income tax expense		52,567	85,196
Income tax expense	9	(13,142)	(16,771)
Profit after income tax expense for the year	17	39,425	68,425
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		39,425	68,425
		Cents	**Cents**
Basic earnings per share	25	4.97	8.62
Diluted earnings per share	25	4.97	8.62

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

Paynesville & District Financial Services Limited
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	10	442,838	400,828
Trade and other receivables	11	67,136	51,358
Current tax assets	9	2,566	906
Total current assets		512,540	453,092
Non-current assets			
Property, plant and equipment	12	509,438	507,569
Intangibles	13	44,647	57,603
Deferred tax assets	9	12,784	13,508
Total non-current assets		566,869	578,680
Total assets		1,079,409	1,031,772
Liabilities			
Current liabilities			
Trade and other payables	14	34,874	28,090
Employee benefits	15	61,068	49,791
Total current liabilities		95,942	77,881
Non-current liabilities			
Employee benefits	15	2,300	12,149
Total non-current liabilities		2,300	12,149
Total liabilities		98,242	90,030
Net assets		981,167	941,742
Equity			
Issued capital	16	769,708	769,708
Retained earnings	17	211,459	172,034
Total equity		981,167	941,742

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

Paynesville & District Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2022

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2020	769,708	103,609	873,317
Profit after income tax expense	-	68,425	68,425
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	68,425	68,425
Balance at 30 June 2021	769,708	172,034	941,742

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2021	769,708	172,034	941,742
Profit after income tax expense	-	39,425	39,425
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	39,425	39,425
Balance at 30 June 2022	769,708	211,459	981,167

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

Paynesville & District Financial Services Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		579,924	597,093
Payments to suppliers and employees (inclusive of GST)		(507,287)	(409,530)
		72,637	187,563
Interest received		360	788
Income taxes paid		(14,078)	(7,073)
Net cash provided by operating activities	24	58,919	181,278
Cash flows from investing activities			
Payments for property, plant and equipment		(16,909)	(1,308)
Payments for intangibles		-	(64,778)
Net cash used in investing activities		(16,909)	(66,086)
Net cash provided by financing activities		-	-
Net increase in cash and cash equivalents		42,010	115,192
Cash and cash equivalents at the beginning of the financial year		400,828	285,636
Cash and cash equivalents at the end of the financial year	10	442,838	400,828

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

Notes to the financial statements

For the year ended 30 June 2022

Note 1. Reporting entity

The financial statements cover Paynesville & District 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 61 The Esplanade, Paynesville, VIC 3880.

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 30 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.

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.

Note 3. Significant accounting policies (continued)

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.

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.

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	417,181	429,320
Fee income	51,109	54,833
Commission income	56,930	52,011
Revenue from contracts with customers	525,220	536,164

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

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

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

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

Note 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.

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 **$**	**2021** **$**
Market development fund	15,000	22,500
Cash flow boost	-	24,432
Other income	1,818	1,191
Other revenue	16,818	48,123

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.

Note 7. Other revenue (continued)

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.

All revenue is stated net of the amount of GST.

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

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

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

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.

Note 8. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Buildings	8,513	8,513
Improvements	2,805	2,530
Furniture and fittings	3,278	2,862
Computer software	444	221
	15,040	14,126
Amortisation of intangible assets		
Franchise fee	2,160	2,200
Franchise renewal fee	10,796	10,999
Domiciled customer accounts	-	1,582
	12,956	14,781
	27,996	28,907

Employee benefits expense

	2022 $	2021 $
Wages and salaries	319,845	299,798
Superannuation contributions	31,300	28,815
Expenses related to long service leave	(4,571)	4,779
Other expenses	13,623	9,694
	360,197	343,086

Note 8. Expenses (continued)

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	6,720	6,918

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 $
Income tax expense		
Current tax	12,418	20,778
Movement in deferred tax	724	(4,547)
Reduction in company tax rate	-	540
Aggregate income tax expense	13,142	16,771
Prima facie income tax reconciliation		
Profit before income tax expense	52,567	85,196
Tax at the statutory tax rate of 25% (2021: 26%)	13,142	22,151
Tax effect of:		
Non-deductible expenses	-	432
Reduction in company tax rate	-	540
Other assessable income	-	(6,352)
Income tax expense	13,142	16,771

	2022 $	2021 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	(3,846)	(2,746)
Employee benefits	15,842	15,485
Accrued expenses	800	775
Income accruals	(12)	(6)
Deferred tax asset	12,784	13,508

	2022 $	2021 $
Income tax refund due	2,566	906

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	117,838	100,828
Term deposits	325,000	300,000
	442,838	400,828

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

Note 11. Trade and other receivables

	2022 **$**	**2021** **$**
Trade receivables	60,258	43,943
Accrued income	48	22
Prepayments	6,830	7,393
	6,878	7,415
	67,136	51,358

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

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

Note 12. Property, plant and equipment

	2022 $	2021 $
Land - at cost	145,935	145,935
Buildings - at cost	340,515	340,515
Less: Accumulated depreciation	(17,049)	(8,536)
	323,466	331,979
Improvements - at cost	137,738	136,363
Less: Accumulated depreciation	(129,026)	(126,221)
	8,712	10,142
Furniture and fittings - at cost	151,205	136,906
Less: Accumulated depreciation	(121,920)	(118,642)
	29,285	18,264
Computer software - at cost	17,288	16,053
Less: Accumulated depreciation	(15,248)	(14,804)
	2,040	1,249
	509,438	507,569

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

	Land $	Buildings $	Improvements $	Furniture and fittings $	Computer software $	Total $
Balance at 1 July 2020	145,935	340,492	12,672	19,817	1,470	520,386
Additions	-	-	-	1,309	-	1,309
Depreciation	-	(8,513)	(2,530)	(2,862)	(221)	(14,126)
Balance at 30 June 2021	145,935	331,979	10,142	18,264	1,249	507,569
Additions	-	-	1,375	14,299	1,235	16,909
Depreciation	-	(8,513)	(2,805)	(3,278)	(444)	(15,040)
Balance at 30 June 2022	145,935	323,466	8,712	29,285	2,040	509,438

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:

Building	40 years
Improvements	5 to 15 years
Furniture and fittings	4 to 40 years
Computer software	3 to10 years

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.

Improvements are depreciated over 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. Intangibles

	2022 $	**2021 $**
Franchise fee	43,663	43,663
Less: Accumulated amortisation	(36,222)	(34,063)
	7,441	9,600
Franchise renewal fee	168,318	168,318
Less: Accumulated amortisation	(131,112)	(120,315)
	37,206	48,003
	44,647	57,603

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

	Domiciled customer accounts $	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	1,582	11,800	59,002	72,384
Amortisation expense	(1,582)	(2,200)	(10,999)	(14,781)
Balance at 30 June 2021	-	9,600	48,003	57,603
Amortisation expense	-	(2,160)	(10,796)	(12,956)
Balance at 30 June 2022	-	7,440	37,207	44,647

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

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

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

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	December 2025
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	December 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.

Note 14. Trade and other payables

	2022 $	2021 $
Current liabilities		
Trade payables	245	765
Other payables and accruals	34,629	27,325
	34,874	28,090

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 15. Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	32,053	26,054
Long service leave	29,015	23,737
	61,068	49,791
Non-current liabilities		
Long service leave	2,300	12,149

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

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

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

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

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

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

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

Note 16. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	793,513	793,513	793,513	793,513
Less: Equity raising costs	-	-	(23,805)	(23,805)
	793,513	793,513	769,708	769,708

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

Rights attached to issued capital

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

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

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

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

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

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

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

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

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

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

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

Note 16. Issued capital (continued)

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 17. Retained earnings

	2022 $	2021 $
Retained earnings at the beginning of the financial year	172,034	103,609
Profit after income tax expense for the year	39,425	68,425
Retained earnings at the end of the financial year	211,459	172,034

Note 18. 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 19. Dividends

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

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 5 cents per share, to be paid on 1 December 2022. The financial impact of the dividend, amounting to $39,676 has not been recognised in the financial statements for the financial year ended 30 June 2022, and will be recognised in the subsequent financial statements.

Franking credits

	2022 $	2021 $
Franking account balance at the beginning of the financial year	142,225	135,152
Franking credits (debits) arising from income taxes paid (refunded)	14,077	7,073
	156,302	142,225
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	156,302	142,225
Franking credits (debits) that will arise from payment (refund) of income tax	(2,566)	(906)
Franking credits available for future reporting periods	153,736	141,319

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%.

Note 20. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	60,306	43,965
Cash and cash equivalents	442,838	400,828
	503,144	444,793
Financial liabilities		
Trade and other payables	34,874	28,090

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.

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.

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 $442,838 at 30 June 2022 (2021: $400,828). 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.

Note 20. Financial instruments (continued)

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	34,874	-	-	34,874
Total non-derivatives	34,874	-	-	34,874

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	28,090	-	-	28,090
Total non-derivatives	28,090	-	-	28,090

Note 21. Key management personnel disclosures

The following persons were directors of Paynesville & District Financial Services Limited during the financial year:

Janet Louise McLeod
Peter John Markwell
Matthew John Butler
Gary Edwin James Gaffney
Andrew Charles Quirke
Lynette Joy Wallace
Nicholas Walter George Fordham

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 22. Related party transactions

The following transactions occurred with related parties:

	2022 $	**2021 $**
Andrew Quirke sold stationary and printing supplies to the company.	100	1,303

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

Note 23. 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	2,120	3,020
Share registry services	2,970	2,300
	5,690	5,920
	10,890	10,920

Note 24. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 $	2021 $
Profit after income tax expense for the year	39,425	68,425
Adjustments for:		
Depreciation and amortisation	27,996	28,907
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(15,778)	8,118
Increase in income tax refund due	(1,660)	-
Decrease in deferred tax assets	724	9,699
Increase in trade and other payables	6,784	59,067
Increase in employee benefits	1,428	7,062
Net cash provided by operating activities	58,919	181,278

Note 25. Earnings per share

	2022 $	2021 $
Profit after income tax	39,425	68,425
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	793,513	793,513
Weighted average number of ordinary shares used in calculating diluted earnings per share	793,513	793,513
	Cents	**Cents**
Basic earnings per share	4.97	8.62
Diluted earnings per share	4.97	8.62

Note 25. Earnings per share (continued)

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Paynesville & District 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 26. Commitments

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

Note 27. Contingencies

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

Note 28. Events after the reporting period

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 5 cents per share, to be paid on 1 December 2022. The financial impact of the dividend, amounting to $39,676 has not been recognised in the financial statements for the financial year ended 30 June 2022, and will be recognised in the subsequent financial statements.

There were no other circumstances that have arisen since 30 June 2022 that have 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

For the financial year ended 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

Janet Louise McLeod
Chair

30 September 2022

Independent audit report

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Paynesville & District Financial Services Limited's (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 Paynesville & District 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.

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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.

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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: 30 September 2022

Adrian Downing
Lead Auditor

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