

# Annual Report 2023

Paynesville & District  
Financial Services Ltd

Community Bank  
Paynesville & District

ABN 80 115 308 015



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# Chairman's report

For year ending 30 June 2023

It gives me great pleasure to present our 2023 Annual Report.

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

This year, the Bendigo Bank's unique Community Bank model is celebrating 25 years of community owned and operated banking in Australia. I would like to thank our customers for their support, our team members for continually delivering quality service, our shareholders for backing their community and all the passionate locally based volunteer Directors for their hard work, commitment and time they put into assisting with Board duties.

As a whole, the Community Bank model is on track to return a total of \$300 million in profits in its anniversary year since inception. We would like to congratulate Bendigo Bank and the first branches at Rupanyup and Minyip on the important steps they took 25 years ago which made it possible for communities like ours and many others to take charge of our future.

I would especially like to thank our long-serving Director Andrew Quirke who was a member of the original steering committee back in 2004 and who has served on our Board since our branch's opening in 2005. Andrew has recently resigned from the Board and we will certainly miss his knowledge, commitment and dedication to the Community Bank here in Paynesville. Andrew has given countless hours of his own time to establishing the branch, serving on the Board, attending functions and being an ambassador of the Community Bank over the past 18-19 years and his expertise and dedication will be deeply missed by our Board. We wish Andrew well for his future and we are sure he will continue to advocate for the Community Bank in Paynesville.

In 2022-23, several community groups were funded through the Community Partnership Program, assisting local organisations to conduct 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, the Raymond Island Community Association, the Paynesville Maritime Museum and the Paynesville Neighbourhood Centre, 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 profit was well above budget with a profit before income tax of \$250,210 and an after tax profit of \$187,235. This year we also contributed \$325,000 into the Community Enterprise Foundation™ to be used for future projects in our local community. We look forward to being able to assist our community with projects in the future that will benefit our local area and enhance community liveability of Paynesville, Raymond Island, Eagle Point and Newlands Arm.

I would like to thank the branch staff and our company secretary for the support provided throughout the year. In May, we welcomed a new staff member, Dominique Allen, and wish her a long and happy career with our branch.

As a Board, our priority is to support Community Bank Paynesville & District to provide excellent Bendigo and Adelaide 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 2023.

We thank our shareholders and our customers for their support, and we look forward to a successful year ahead in 2024.



**Janet McLeod**  
Chairman

# Manager's report

For year ending 30 June 2023

It is with great pleasure I present to you 2023 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 welcomed Dom, a new staff member to Community Bank Paynesville & District in May 2023. She has been local to our community for several years and comes from a non-banking background. Dom is learning all aspects of banking quickly and I am excited by her progression and look forward to her contribution to Community Bank Paynesville & District and over the coming years ahead.

As an industry we are seeing scam activity on the rise. We have run a number of banking safely online and scam awareness sessions in attempt to educate the community on current scams and things to do to keep your money safe. We continue to see 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. However you like to do your banking the human touch to banking is still as important as ever and we are here to support with any current or future needs.

This year we have seen the RBA cash rate continuously increase all but one month for the financial year and this has had significant impact on deposit and lending interest rates. For this financial year our business has continued to grow. Business growth for the financial year was \$10.44 million taking our total business to \$132.67 million.

Community Bank Paynesville & District has given back to the community \$665,000 since opening. A figure of 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.

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

**30 June 2023**

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

## Directors

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

Name: Janet Louise McLeod  
Title: Non-executive director  
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: Chair and Treasurer

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 8 years.  
Special responsibilities: Marketing and Business Development Committee and Strategic Planning 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 Management. Volunteer and Committee member of the Paynesville Maritime Museum. Member of the Paynesville Football Netball Club and Paynesville Cricket Club.  
Special responsibilities: Marketing and Business Development Committee, Risk, Audit, Finance and Governance 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 Australia Gippsland, Gippsland Regional Partnership (State), Canberra Regional Joint Board and Rural Councils Victoria.  
Special responsibilities: Marketing and Business Development Committee, Audit, Risk, Governance, Finance Committee Chair of Strategic Planning Committee.

## Directors' report (continued)

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Name: Lynette Joy Wallace  
Title: Non-executive director  
Experience and expertise: Lynette has mainly worked within the creative world of design studios as a team leader and in middle management in Melbourne and Sydney for private enterprises prior to moving to regional Victoria, working for Government organisations in middle management in administration prior to leaving the workforce a few years back. Lynette has volunteered for many groups and sporting organisations over 45 years. She has been a committee member of a number of sailing clubs and sailing associations in roles from general committee, Commodore, Vice Commodore and sailing school Principal. She has also been connected to the local business and tourism group in various roles. Lynette is currently a Board Member of East Gippsland Marketing Inc.  
Special responsibilities: Member of Marketing and Business Development Committee, and Human Resources 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. He has been a Business Analyst and IT Manager at Barinsdale Regional Health Service, 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. Member of Strategic Planning sub-committee.

Name: Andrew Charles Quirke  
Title: Non-executive director (resigned 12 July 2023)  
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: Deputy Chair

### 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 \$187,235 (30 June 2022: \$39,425).

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



## Directors' report (continued)

### Dividends

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

	<b>2023</b>
	<b>\$</b>
Fully franked dividend of 5 cents per share (2022: nil cents)	<u><u>39,676</u></u>

### Significant changes in the state of affairs

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

### Matters subsequent to the end of the financial year

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

### Likely developments

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

### Environmental regulation

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

### Meetings of directors

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

	Board		Marketing Committee		Human Resources Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Janet Louise McLeod	12	12	4	4	5	5
Peter John Markwell	12	7	4	1	-	-
Matthew John Butler	12	12	4	4	-	-
Gary Edwin James Gaffney	12	8	4	2	-	-
Lynette Joy Wallace	12	10	4	3	5	4
Nicholas Walter George Fordham	12	10	-	-	-	-
Andrew Charles Quirke	12	11	4	4	5	5
			Audit, Risk, Finance and Governance Committee		Strategic Planning Committee	
			Eligible	Attended	Eligible	Attended
Janet Louise McLeod			1	1	2	2
Peter John Markwell			-	-	2	1
Matthew John Butler			1	-	-	-
Gary Edwin James Gaffney			-	-	2	1
Lynette Joy Wallace			-	-	-	-
Nicholas Walter George Fordham			1	1	2	2
Andrew Charles Quirke			-	-	-	-

### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Directors' report (continued)

### Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Janet Louise McLeod	5,500	-	5,500
Peter John Markwell	-	-	-
Matthew John Butler	-	-	-
Gary Edwin James Gaffney	-	-	-
Lynette Joy Wallace	5,000	10,000	15,000
Nicholas Walter George Fordham	-	-	-
Andrew Charles Quirke	3,001	-	3,001

### 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 22 to the accounts.

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

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

### Auditor's independence declaration

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




## Directors' report (continued)

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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

25 September 2023

# Auditor's independence declaration



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

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

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

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 25<sup>th</sup> September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

**Joshua Griffin**  
Lead Auditor



# Financial statements

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

	Note	2023 \$	2022 \$
Revenue from contracts with customers	6	1,102,941	525,220
Other revenue		10,077	16,818
Finance revenue		4,911	386
Total revenue		<u>1,117,929</u>	<u>542,424</u>
Employee benefits expense	7	(393,110)	(360,197)
Advertising and marketing costs		(7,202)	(3,575)
Occupancy and associated costs		(19,665)	(18,046)
System costs		(15,255)	(17,439)
Depreciation and amortisation expense	7	(29,518)	(27,996)
General administration expenses		(55,814)	(50,027)
Total expenses before community contributions and income tax expense		<u>(520,564)</u>	<u>(477,280)</u>
<b>Profit before community contributions and income tax expense</b>		597,365	65,144
Charitable donations, sponsorships and grants expense	7	<u>(347,155)</u>	<u>(12,577)</u>
<b>Profit before income tax expense</b>		250,210	52,567
Income tax expense	8	<u>(62,975)</u>	<u>(13,142)</u>
<b>Profit after income tax expense for the year</b>	16	187,235	39,425
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u><u>187,235</u></u>	<u><u>39,425</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	24	23.60	4.97
Diluted earnings per share	24	23.60	4.97

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

## Financial statements (continued)

### Paynesville & District Financial Services Limited Statement of financial position As at 30 June 2023

	Note	2023 \$	2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	625,815	442,838
Trade and other receivables	10	111,673	67,136
Current tax assets	8	-	2,566
Total current assets		<u>737,488</u>	<u>512,540</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	495,065	509,438
Intangible assets	12	31,692	44,647
Deferred tax assets	8	17,381	12,784
Total non-current assets		<u>544,138</u>	<u>566,869</u>
<b>Total assets</b>		<u>1,281,626</u>	<u>1,079,409</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	24,090	34,874
Current tax liabilities	8	58,073	-
Employee benefits	14	66,880	61,068
Total current liabilities		<u>149,043</u>	<u>95,942</u>
<b>Non-current liabilities</b>			
Employee benefits	14	3,857	2,300
Total non-current liabilities		<u>3,857</u>	<u>2,300</u>
<b>Total liabilities</b>		<u>152,900</u>	<u>98,242</u>
<b>Net assets</b>		<u>1,128,726</u>	<u>981,167</u>
<b>Equity</b>			
Issued capital	15	769,708	769,708
Retained earnings	16	359,018	211,459
<b>Total equity</b>		<u>1,128,726</u>	<u>981,167</u>

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

## Financial statements (continued)

### Paynesville & District Financial Services Limited Statement of changes in equity For the year ended 30 June 2023

	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2021</b>	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
<b>Balance at 30 June 2022</b>	<u>769,708</u>	<u>211,459</u>	<u>981,167</u>
<b>Balance at 1 July 2022</b>	769,708	211,459	981,167
Profit after income tax expense	-	187,235	187,235
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	187,235	187,235
<i>Transactions with owners in their capacity as owners:</i>			
Dividends provided for	18	(39,676)	(39,676)
<b>Balance at 30 June 2023</b>	<u>769,708</u>	<u>359,018</u>	<u>1,128,726</u>

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

## Financial statements (continued)

### Paynesville & District Financial Services Limited Statement of cash flows For the year ended 30 June 2023

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,180,367	579,924
Payments to suppliers and employees (inclusive of GST)		(951,676)	(507,287)
Interest received		3,085	360
Income taxes paid		<u>(6,933)</u>	<u>(14,078)</u>
Net cash provided by operating activities	23	<u>224,843</u>	<u>58,919</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<u>(2,190)</u>	<u>(16,909)</u>
Net cash used in investing activities		<u>(2,190)</u>	<u>(16,909)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	18	<u>(39,676)</u>	<u>-</u>
Net cash used in financing activities		<u>(39,676)</u>	<u>-</u>
Net increase in cash and cash equivalents		182,977	42,010
Cash and cash equivalents at the beginning of the financial year		<u>442,838</u>	<u>400,828</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>625,815</u></u>	<u><u>442,838</u></u>

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



# Notes to the financial statements

**30 June 2023**

## **Note 1. Reporting entity**

The financial statements cover Paynesville & District Financial Services Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 61 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.

## **Note 2. Basis of preparation and statement of compliance**

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 September 2023. The directors have the power to amend and reissue the financial statements.

## **Note 3. Significant accounting policies**

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

### **Changes in accounting policies, standards and interpretations**

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

### **Current and non-current classification**

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

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

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

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

### **Impairment**

#### *Non-derivative financial assets*

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

## Notes to the financial statements (continued)

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### Note 3. Significant accounting policies (continued)

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

#### *Non-financial assets*

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

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

#### **Goods and Services Tax (GST)**

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

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

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

### Note 4. Critical accounting judgements, estimates and assumptions

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

#### *Estimation of useful lives of assets*

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

#### *Impairment of non-financial assets*

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

#### *Recovery of deferred tax assets*

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

## Notes to the financial statements (continued)

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

#### *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 in December 2025.

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 Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

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

### Note 6. Revenue from contracts with customers

	2023 \$	2022 \$
Margin income	991,659	417,181
Fee income	48,766	51,109
Commission income	62,516	56,930
	<u>1,102,941</u>	<u>525,220</u>

## Notes to the financial statements (continued)

### Note 6. Revenue from contracts with customers (continued)

#### *Revenue from contracts with customers*

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:

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

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

#### *Revenue calculation*

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

#### *Margin income*

Margin on core banking products is arrived at through the following calculation:

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

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

#### *Commission income*

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

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

#### *Fee income*

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

## Notes to the financial statements (continued)

### Note 6. Revenue from contracts with customers (continued)

#### *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. Expenses

#### Employee benefits expense

	2023 \$	2022 \$
Wages and salaries	342,606	319,845
Superannuation contributions	34,945	31,300
Expenses related to long service leave	2,127	(4,571)
Other expenses	13,432	13,623
	<u>393,110</u>	<u>360,197</u>

#### Depreciation and amortisation expense

	2023 \$	2022 \$
<i>Depreciation of non-current assets</i>		
Buildings	8,513	8,513
Improvements	2,943	2,805
Furniture and fittings	4,577	3,278
Computer software	530	444
	<u>16,563</u>	<u>15,040</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	2,158	2,160
Franchise renewal fee	10,797	10,796
	<u>12,955</u>	<u>12,956</u>
	<u>29,518</u>	<u>27,996</u>

#### Leases recognition exemption

	2023 \$	2022 \$
Expenses relating to low-value leases	<u>5,475</u>	<u>6,720</u>

## Notes to the financial statements (continued)

### Note 7. Expenses (continued)

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

#### Charitable donations, sponsorships and grants expense

	2023 \$	2022 \$
Direct donation, sponsorship and grant payments	22,155	12,577
Contribution to the Community Enterprise Foundation™	325,000	-
	<u>347,155</u>	<u>12,577</u>

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations, sponsorships and grants).

The funds contributed to and held by the Community Enterprise Foundation™ (CEF) are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

### Note 8. Income tax

	2023 \$	2022 \$
<i>Income tax expense</i>		
Current tax	67,571	12,418
Movement in deferred tax	(4,596)	724
Aggregate income tax expense	<u>62,975</u>	<u>13,142</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	250,210	52,567
Tax at the statutory tax rate of 25%	62,553	13,142
Tax effect of:		
Non-deductible expenses	422	-
Income tax expense	<u>62,975</u>	<u>13,142</u>
	<b>2023</b> \$	<b>2022</b> \$
<i>Deferred tax assets/(liabilities)</i>		
Property, plant and equipment	(884)	(3,846)
Employee benefits	17,684	15,842
Accrued expenses	1,050	800
Income accruals	(469)	(12)
Deferred tax asset	<u>17,381</u>	<u>12,784</u>



## Notes to the financial statements (continued)

### Note 8. Income tax (continued)

	2023 \$	2022 \$
Income tax refund due	-	2,566
	<u>2023</u> \$	<u>2022</u> \$
Provision for income tax	<u>58,073</u>	<u>-</u>

#### *Accounting policy for income tax*

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

#### *Accounting policy for current tax*

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

#### *Accounting policy for deferred tax*

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

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

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

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

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

### Note 9. Cash and cash equivalents

	2023 \$	2022 \$
Cash at bank and on hand	425,815	117,838
Term deposits	200,000	325,000
	<u>625,815</u>	<u>442,838</u>

#### *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.

## Notes to the financial statements (continued)

### Note 10. Trade and other receivables

	2023 \$	2022 \$
Trade receivables	104,201	60,258
Accrued income	1,874	48
Prepayments	5,598	6,830
	<u>7,472</u>	<u>6,878</u>
	<u>111,673</u>	<u>67,136</u>

#### Accounting policy for trade and other receivables

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

### Note 11. Property, plant and equipment

	2023 \$	2022 \$
Land - at cost	145,935	145,935
Buildings - at cost	340,515	340,515
Less: Accumulated depreciation	(25,562)	(17,049)
	<u>314,953</u>	<u>323,466</u>
Improvements - at cost	137,738	137,738
Less: Accumulated depreciation	(131,969)	(129,026)
	<u>5,769</u>	<u>8,712</u>
Furniture and fittings - at cost	153,395	151,205
Less: Accumulated depreciation	(126,497)	(121,920)
	<u>26,898</u>	<u>29,285</u>
Computer software - at cost	17,288	17,288
Less: Accumulated depreciation	(15,778)	(15,248)
	<u>1,510</u>	<u>2,040</u>
	<u>495,065</u>	<u>509,438</u>

Reconciliations of the carrying 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 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
Additions	-	-	-	2,190	-	2,190
Depreciation	-	(8,513)	(2,943)	(4,577)	(530)	(16,563)
Balance at 30 June 2023	<u>145,935</u>	<u>314,953</u>	<u>5,769</u>	<u>26,898</u>	<u>1,510</u>	<u>495,065</u>

## Notes to the financial statements (continued)

### Note 11. 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 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 to 10 years

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 12. Intangible assets

	2023 \$	2022 \$
Franchise fee	43,663	43,663
Less: Accumulated amortisation	<u>(38,381)</u>	<u>(36,222)</u>
	5,282	7,441
Franchise renewal fee	168,318	168,318
Less: Accumulated amortisation	<u>(141,908)</u>	<u>(131,112)</u>
	26,410	37,206
	<u>31,692</u>	<u>44,647</u>

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

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2021	9,600	48,003	57,603
Amortisation expense	<u>(2,160)</u>	<u>(10,796)</u>	<u>(12,956)</u>
Balance at 30 June 2022	7,440	37,207	44,647
Amortisation expense	<u>(2,158)</u>	<u>(10,797)</u>	<u>(12,955)</u>
Balance at 30 June 2023	<u>5,282</u>	<u>26,410</u>	<u>31,692</u>

## Notes to the financial statements (continued)

### Note 12. Intangible assets (continued)

#### 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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
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 and adjusted, if appropriate, at each reporting date.

#### Change in estimates

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

### Note 13. Trade and other payables

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	31	245
Other payables and accruals	24,059	34,629
	<u>24,090</u>	<u>34,874</u>

#### 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 14. Employee benefits

	2023 \$	2022 \$
<i>Current liabilities</i>		
Annual leave	37,295	32,053
Long service leave	29,585	29,015
	<u>66,880</u>	<u>61,068</u>
<i>Non-current liabilities</i>		
Long service leave	<u>3,857</u>	<u>2,300</u>

## Notes to the financial statements (continued)

### Note 14. Employee benefits (continued)

#### *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 15. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	793,513	793,513	793,513	793,513
Less: Equity raising costs	-	-	(23,805)	(23,805)
	<u>793,513</u>	<u>793,513</u>	<u>769,708</u>	<u>769,708</u>

#### *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.

## Notes to the financial statements (continued)

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### Note 15. Issued capital (continued)

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

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

#### Dividends

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

#### Transfer

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

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

#### *Prohibited shareholding interest*

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

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

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

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

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and their associates) has a prohibited shareholding interest in are suspended

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 16. Retained earnings

	2023 \$	2022 \$
Retained earnings at the beginning of the financial year	211,459	172,034
Profit after income tax expense for the year	187,235	39,425
Dividends paid (note 18)	(39,676)	-
	<u>359,018</u>	<u>211,459</u>

### Note 17. 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 18. Dividends

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

	2023 \$	2022 \$
Fully franked dividend of 5 cents per share (2022: nil cents)	<u>39,676</u>	<u>-</u>

### Franking credits

	2023 \$	2022 \$
Franking account balance at the beginning of the financial year	156,302	142,225
Franking credits (debits) arising from income taxes paid (refunded)	6,932	14,077
Franking debits from the payment of franked distributions	(13,225)	-
	<u>150,009</u>	<u>156,302</u>

*Franking transactions that will arise subsequent to the financial year end:*

Balance at the end of the financial year	150,009	156,302
Franking credits (debits) that will arise from payment (refund) of income tax	58,073	(2,566)
Franking credits available for future reporting periods	<u>208,082</u>	<u>153,736</u>

## Notes to the financial statements (continued)

### Note 18. Dividends (continued)

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

#### *Accounting policy for dividends*

Dividends are recognised in the financial year they are declared.

### Note 19. Financial instruments

	2023	2022
	\$	\$
<b>Financial assets</b>		
Trade and other receivables	106,075	60,306
Cash and cash equivalents	625,815	442,838
	<u>731,890</u>	<u>503,144</u>
<b>Financial liabilities</b>		
Trade and other payables	<u>24,090</u>	<u>34,874</u>

#### *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.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$625,815 at 30 June 2023 (2022: \$442,838).

#### **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.

## Notes to the financial statements (continued)

### Note 19. Financial instruments (continued)

#### Credit risk

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

#### Liquidity risk

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

#### Exposure to liquidity risk

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

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2023</b>				
Trade and other payables	24,090	-	-	24,090
Total non-derivatives	24,090	-	-	24,090
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2022</b>				
Trade and other payables	34,874	-	-	34,874
Total non-derivatives	34,874	-	-	34,874

### Note 20. Key management personnel disclosures

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

Janet Louise McLeod  
Peter John Markwell  
Matthew John Butler  
Gary Edwin James Gaffney

Lynette Joy Wallace  
Nicholas Walter George Fordham  
Andrew Charles Quirke

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

### Note 21. Related party transactions

The following transactions occurred with related parties:

	2023 \$	2022 \$
Andrew Quirke sold stationary and printing supplies to the company.	135	100

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

## Notes to the financial statements (continued)

### Note 22. Remuneration of auditors

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

	2023 \$	2022 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,400	5,200
<i>Other services</i>		
Taxation advice and tax compliance services	660	600
General advisory services	2,610	2,120
Share registry services	6,208	2,970
	<u>9,478</u>	<u>5,690</u>
	<u>14,878</u>	<u>10,890</u>

### Note 23. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 \$	2022 \$
Profit after income tax expense for the year	187,235	39,425
Adjustments for:		
Depreciation and amortisation	29,518	27,996
Change in operating assets and liabilities:		
Increase in trade and other receivables	(44,537)	(15,778)
Decrease/(increase) in income tax refund due	2,566	(1,660)
Decrease/(increase) in deferred tax assets	(4,597)	724
Increase/(decrease) in trade and other payables	(10,784)	6,784
Increase in provision for income tax	58,073	-
Increase in employee benefits	7,369	1,428
Net cash provided by operating activities	<u>224,843</u>	<u>58,919</u>

### Note 24. Earnings per share

	2023 \$	2022 \$
Profit after income tax	<u>187,235</u>	<u>39,425</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>793,513</u>	<u>793,513</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>793,513</u>	<u>793,513</u>
	Cents	Cents
Basic earnings per share	23.60	4.97
Diluted earnings per share	23.60	4.97

## Notes to the financial statements (continued)

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### **Note 24. 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, by the weighted average number of ordinary shares outstanding during the financial year.

### **Note 25. Commitments**

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

### **Note 26. Contingencies**

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

### **Note 27. Events after the reporting period**

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

# Directors' declaration


**30 June 2023**

In the directors' opinion:

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

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

On behalf of the directors



Janet Louise McLeod  
Chair

25 September 2023



# Independent audit report



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

## Independent auditor's report to the Directors of 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 (the company), which comprises:

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

In our opinion, the accompanying financial report of 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 2023 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

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



Andrew Frewin Stewart  
61 Bull Street Bendigo VIC 3550  
ABN: 65 684 604 390  
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## Other Information

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

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

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

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

## Auditor's responsibilities for the Audit of the Financial Report

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

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Liability limited by a scheme approved under Professional Standards Legislation.



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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 25<sup>th</sup> September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

**Joshua Griffin**  
Lead Auditor



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 /communitybankpaynesvilledistrict

 **Bendigo Bank**