Annual Report 2022

Varsity Lakes Financial Services Ltd
ABN 57 127 396 454

Community Bank
Varsity Lakes

Contents

Chair's Report

For year ending 30 June 2022

It is with pleasure that on behalf of your Board, I present the Chair's report for the year ending 30 June 2022.

Like many businesses we have experienced staffing shortfall during the financial year, and while that has meant some Branch closures, we are very fortunate to have fantastic staff members (led by the unstoppable Alana Baulch as your Branch Manager) who have continued to work beyond their normal roles to keep the Community Bank Varsity Lakes open with minimal closures, and working with flexibility to met customer needs during these times. The whole the Board thank our staff immensely for their dedication and commitment.

This year has seen your Community Bank Varsity Lakes continue to with the provision of numerous stationery packs to Varsity College Primary Campus to assist children from less fortunate backgrounds at the beginning of the school year, from Grades 1 through 6, and it is with great pride that we have partnered with the Varsity Lakes Community Resource Centre, proudly supporting their Support Beyond Barriers program. We have recently received a report from the Centre, and while I have set out some a summary below, I am sure it does not do justice for their tireless community work:

- the funding goes towards a social worker who uses their knowledge, training, and experience to assist vulnerable members of the community
- non-profit agencies referring clients to the Centre include Gold Coast Housing Service, The Way Back Suicide Prevention service, Wesley Mission, as well as disability employment services including GCESS, Tursa and APM, schools and independent psychologists, psychiatrists, and doctors
- the bulk the work remains in assisting extremely vulnerable community members to apply for the Disability Support or Carers Support pensions or the National Disability Insurance Scheme. In all cases, the applicant is an extremely fragile individual with limited family support or friend networks or an overwhelmed parent who is so stretched to a point they unable to cope with the process
- help is also provided to homeless suffering with mental health, and who lack of ability to apply for desperately needed services. In these cases, letters are able to be sent to their treating Doctors to guide them in the best way to word applications and detailing what documents most assist in that process
- the social worker at the Centre has undertaken training in their own time, to be able to administer either of the two Disability Assessment Scales required by NDIS as proof of psycho-social impairment (that costs around $1500 to be administered by a registered psychologist). This significantly increase the odds of a client being successful in their application for NDIS. The Centre aims to offer this to vulnerable community members who would otherwise have no possibility of affording them
- the demand for the service has exploded and the Centre has been able to help many more individuals with the funding provided

Chair's Report (continued)

- The support that people receive as a result of the services provided by the Centre can be life changing for those who receive the support.

The Board members all take great pride in the sponsorships and donations made throughout the year. It remains one of the most rewarding parts of our role.

Despite some great community engagements and sponsorships this past year, we did experience as net loss of $36,208, although the financials do not paint a true picture. We paid $49,737 in dividends in this past financial year (including a $0.04c catch up dividend), and we have invested in on boarding an additional lender, so staff costs have increased significantly in the same year. The additional staffing cost will no doubt return on that investment, with the July to September quarter for 2022 already showing a significant uplift in profitability. Your Board looks forward to an increase in profitability, return to investors and an increase in community engagement in the years to come.

Thank you to our shareholders for their ongoing support, to the local community for banking with us.

Duane Williams
Chair

Manager's Report

For year ending 30 June 2022

Dear Shareholders

It is with pleasure that I present the Manager’s report for Varsity Lakes Financial Services Limited.

It’s been just over a year since I joined the Community Bank Varsity Lakes as Branch Manager. The year has presented many opportunities and challenges. While COVID-19 restrictions were largely wound back, the pandemic continued to challenge the operation of our business and the communities in which we are based. Rising COVID-19 cases, combined with a seasonal influenza outbreak and staff shortages, contributed to temporary closures across our branch network - and businesses everywhere - as we worked to manage and mitigate the risks posed to our staff and customers. We experienced many days of under staffing, growing workload and tighter lending constraints. However, despite the challenges we have faced this past year, I am proud of the operational and financial performance of our Community Bank Varsity Lakes.

Performance

As at 30 June 2022, Community Bank Varsity Lakes, along with our business banking partners, holds a lending book of $63.820M and a deposit book of $39.412M, bringing our total footings to $103M.

Our Achievements

We were pleased to have settled $18.5M in lending , resulting in a $6.5M growth to our loan book.

We continued to build stronger, deeper relationships with our customers by having relevant and meaningful conversations about how we can help our customers achieve their financial goals and aspirations which in turn has resulted in an uplift of customer numbers by 6.1% and products per customers 6.2% as we strive to be the Better Big Bank.

Our Challenges

Throughout the year, deposit interest rates remained very modest, resulting in negative growth to our deposit book of $5.1M from the previous year. These unprecedentedly low rates also had a significant impact on margins and therefore the branch’s profitability.

Staff

Throughout the year we have seen several staff changes. We farewelled Shae Mahoney and Lisa Westra Van Holthe who both accepted other positions which provided them with ability to work from home. We also farewelled Adam Kay and Jessie Stefanatos who pursued other opportunities outside of Bendigo Bank.

These movements opened opportunity to create a new and dynamic staffing structure and saw the appointments of the following staff:

Amanda Holmes

we welcomed Amanda to our team in February 2022 as Mobile Relationship Manager. Amanda has been with Bendigo Bank since 2009 and has worked in various roles across the Gold Coast Region and has already hit the ground running. Amanda brings to the team extensive lending experience and is passionate about helping customers achieve their financial goals. Amanda is available to meet with new & existing customers at a time and place that suits them. Lisa Cooper and Antonio Nuno Montiel - we welcomed both

Lisa & Antonio

We welcomed Lisa and Antonio to our team in September 2022 as our Customer Relationship Officer's. Lisa joins us from our Mermaid Waters Branch and hold 12 years of banking experience with Bendigo Bank. Antonio joins us from our Brisbane City Branch and hold 4 years of Banking Experience within Australia and 14 years of Banking experience in Spain. Together, Lisa and Antonio specialise in all areas of banking for our customers, including Consumer & Business Transactional Banking, Personal Loans & Credit Cards, Savings & Investments, Insurance needs and also Operational Risk & Compliance.

Your Varsity Lakes Community Bank team is

Branch Manager	Alana Baulch
Mobile Relationship Manager	Amanda Holmes
Customer Relationship Manager	Megan Shieldson (on maternity leave)
Customer Relationship Manager	Brooke Parmenter (on maternity leave)
Customer Relationship Officer	Lisa Cooper
Customer Relationship Officer	Antonio Nuno Montiel
Customer Service Officer	Lisa Brockwell

Despite the changes to our team, our focus remains on our customers and putting them at the centre of everything we do. If you haven't visited your Community Bank Varsity Lakes lately, I welcome you to come in and meet the team and see how we can continue to help you meet your financial goals.

Community Contributions

As restrictions eased, Varsity Lakes was once again on show, and we were able to get out and about and engage as a community. It is an absolute honour to be able support a number of local community events including:

- World Street Food & Entertainment Festival
- Symphony by the Lake
- Carols by the Lake

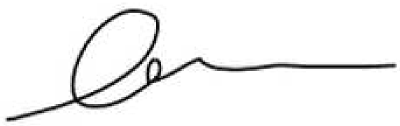
These events not only connect our community, it also show cases all that Varsity Lakes has to offer and helps support our local businesses after what has been a very challenging year for most.

The Year Ahead

Our team is committed to assisting our customers with face-to-face banking as well as the convenience of digital banking to give the best possible banking experience. With the ongoing decrease to foot traffic in Branch, we will continue to adapt services to what best suits you; if you cannot come to us, we come to you. My focus always, is to continue to lead and develop my team to help us grow our business and forge stronger and deeper relationships within our community and referring agents.

We are all looking forward to the year ahead with optimism and to the opportunities that will present. With continuing upward pressure of interest rates and close to full employment in the economy, revenue - share and return on equity will continue to rise. While increasing costs in the economy will likely constrain lending further, we will remain competitive and confident that we are the Better Big Bank. We continue to encourage and remind our shareholders that your ongoing support as customers and advocates of Community Bank Varsity Lakes remains invaluable in ensuring our future success and as you know, it is this support and banking activity that ultimately determines the level of return to our local area. Come and see us at 7/195 Varsity Parade, Varsity Lakes and please speak with any of our friendly staff who can assist with any inquiries you may have.

Finally, I would like to thank the Board of Directors, our shareholders and customers, for your ongoing support and commitment to Community Bank Varsity Lakes. Without you, our community investments would not be possible, so thank you!



Alana Baulch
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:	Duane Damman Williams
Title:	Chairman
Experience and expertise:	Partner at MBA Lawyers. Practising for over 16 years. Admitted to the QLD Supreme Court and High Court of Australia.
Special responsibilities:	Chair
Name:	Wayne McArthur Clinton
Title:	Secretary
Experience and expertise:	BSc (Monash 1975), BD hons (MCD 1980), Voc Grad Diploma Community Services Management 2012. Wayne is Former President, Gold Coast Community Care Association Inc. and has a long history in Church organisations, School Chaplaincy committees, etc. Wayne recently retired as Manager of a not-for-profit government funded disability support service which required oversight of quality systems, legislative compliance, financial management, HR management, etc. Founding Director of Varsity Lakes Financial Services Limited.
Special responsibilities:	Company Secretary
Name:	Valentina Nenadic
Title:	Non-executive director
Experience and expertise:	Have been involved through all his real estate career with supporting the community - P & C member at Merrimac Primary and Varsity College, supported and volunteered at QLD flood recovery. Daniel Morecombe Foundation, Cancer Council awareness, Harcourts foundation, Movember.
Special responsibilities:	Nil
Name:	Benjamin John Gordon Johnson
Title:	Non-executive director
Experience and expertise:	Ben has 15 years experience as an accountant. He holds a Bachelor of Commerce, Chartered Accountant, Fellow Tax Institute of Australia and Diploma of Financial Planning.
Special responsibilities:	Nil
Name:	Ian Richard Verrico
Title:	Non-executive director
Experience and expertise:	Ian has experience in sales and marketing, customer service, franchising, Real estate education, is involved with local church administration and activities.
Special responsibilities:	Marketing Committee
Name:	Jason Peter Kenneth Allender
Title:	Non-executive director
Experience and expertise:	Jason has experience in both marketing and business advice.
Special responsibilities:	Marketing Committee
Name:	Stephen John Simpson
Title:	Treasurer
Experience and expertise:	Former Regional Manager for Gold Coast, Bendigo Bank (retired Jan 2020). Extensive career in Banking and Finance, including Corporate, Business and Retail Banking in Australia, Fiji and the UAE (ANZ and Bendigo Bank). Currently a Director and Deputy Chair of Varsity Lakes Community Limited. Former member of Regional Development Australia Gold Coast Committee. Former Director of Silver Body Corporate Financial Services Pty Ltd.
Special responsibilities:	Nil

Company secretary
The company secretary is Wayne Clinton. Wayne was appointed to the position of secretary on 22 April 2009.

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 loss for the company after providing for income tax amounted to $36,208 (30 June 2021: profit of $110,141).

Operations have continued to perform in line with expectations.

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

	2022 **$**
Unfranked dividend of 8 cents per share	49,737

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 year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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

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

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

	Board	
	Eligible	Attended
Duane Damman Williams	9	9
Wayne McArthur Clinton	9	9
Valentina Nenadic	9	5
Benjamin John Gordon Johnson	9	4
Ian Richard Verrico	9	9
Jason Peter Kenneth Allender	9	6
Stephen John Simpson	9	9

Directors' benefits
No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 24 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' 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
Duane Damman Williams	-	-	-
Wayne McArthur Clinton	4,501	-	4,501
Valentina Nenadic	-	-	-
Benjamin John Gordon Johnson	-	-	-
Ian Richard Verrico	-	-	-
Jason Peter Kenneth Allender	-	-	-
Stephen John Simpson	4,000	-	4,000

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 25 to the accounts.

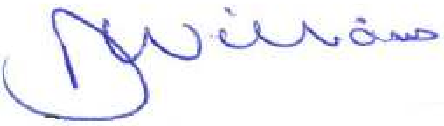
The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- 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



Duane Damman Williams
Chairman

14 October 2022

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 Varsity Lakes Financial Services Limited

As lead auditor for the audit of Varsity Lakes 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: 21 October 2022

Adrian Downing
Lead Auditor

Financial Statements

	Note	2022 $	2021 $
Revenue from contracts with customers	6	592,577	641,889
Other revenue	7	25,000	30,833
Finance revenue		279	787
Employee benefits expense	8	(474,553)	(347,452)
Advertising and marketing costs		(24,081)	(3,208)
Occupancy and associated costs		(10,255)	(8,706)
System costs		(17,841)	(18,374)
Depreciation and amortisation expense	8	(58,659)	(54,051)
Finance costs	8	(12,988)	(14,426)
General administration expenses		(61,081)	(68,571)
Profit/(loss) before community contributions and income tax (expense)/benefit		(41,602)	158,721
Charitable donations and sponsorships expense		(6,675)	(8,833)
Profit/(loss) before income tax (expense)/benefit		(48,277)	149,888
Income tax (expense)/benefit	9	12,069	(39,747)
Profit/(loss) after income tax (expense)/benefit for the year	19	(36,208)	110,141
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(36,208)	110,141
		Cents	**Cents**
Basic earnings per share	27	(5.82)	17.72
Diluted earnings per share	27	(5.82)	17.72

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

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	10	220,406	333,607
Trade and other receivables	11	21,669	27,788
Total current assets		242,075	361,395
Non-current assets			
Property, plant and equipment	12	120,201	113,677
Right-of-use assets	13	215,301	253,035
Intangibles	14	16,435	29,619
Deferred tax assets	9	29,948	17,879
Total non-current assets		381,885	414,210
Total assets		623,960	775,605
Liabilities			
Current liabilities			
Trade and other payables	15	20,790	25,454
Lease liabilities	16	43,179	46,677
Total current liabilities		63,969	72,131
Non-current liabilities			
Trade and other payables	15	-	15,228
Lease liabilities	16	194,272	237,451
Provisions	17	18,618	17,749
Total non-current liabilities		212,890	270,428
Total liabilities		276,859	342,559
Net assets		347,101	433,046
Equity			
Issued capital	18	597,884	597,884
Accumulated losses	19	(250,783)	(164,838)
Total equity		347,101	433,046

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2020		597,884	(274,979)	322,905
Profit after income tax expense		-	110,141	110,141
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	110,141	110,141
Balance at 30 June 2021		597,884	(164,838)	433,046

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2021		597,884	(164,838)	433,046
Loss after income tax benefit		-	(36,208)	(36,208)
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	(36,208)	(36,208)
Transactions with owners in their capacity as owners:				
Dividends provided for	21	-	(49,737)	(49,737)
Balance at 30 June 2022		597,884	(250,783)	347,101

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

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		685,447	755,247
Payments to suppliers and employees (inclusive of GST)		(662,285)	(544,672)
		23,162	210,575
Interest received		279	787
Interest and other finance costs paid		-	(347)
Net cash provided by operating activities	26	23,441	211,015
Cash flows from investing activities			
Payments for right-of-use assets		-	(28,259)
Payments for property, plant and equipment		(14,265)	-
Payments for intangibles		(13,844)	(13,844)
Net cash used in investing activities		(28,109)	(42,103)
Cash flows from financing activities			
Proceeds from lease liabilities		-	31,380
Dividends paid	21	(49,737)	-
Repayment of lease liabilities	16	(58,796)	(49,726)
Net cash used in financing activities		(108,533)	(18,346)
Net increase/(decrease) in cash and cash equivalents		(113,201)	150,566
Cash and cash equivalents at the beginning of the financial year		333,607	183,041
Cash and cash equivalents at the end of the financial year	10	220,406	333,607

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

Notes to financial statements

Note 1. Reporting entity

The financial statements cover Varsity Lakes Financial Services Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

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

Principal place of business

Shop 7/195 Varsity Parade, Varsity Lakes QLD 4227

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 14 October 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation and statement of compliance

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

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations
There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

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

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

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

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 2022.

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

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

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

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

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

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

Note 5. Economic dependency (continued)

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	515,625	565,688
Fee income	31,035	29,861
Commission income	45,917	46,340
Revenue from contracts with customers	592,577	641,889

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.

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.

Note 6. Revenue from contracts with customers (continued)

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	25,000	30,833

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

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

All revenue is stated net of the amount of GST.

Note 7. Other revenue (continued)

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.

Note 8. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Leasehold improvements	6,446	5,172
Plant and equipment	1,295	1,392
	7,741	6,564
Depreciation of right-of-use assets		
Leased land and buildings	29,707	29,706
Leased motor vehicles	8,027	4,597
	37,734	34,303
Amortisation of intangible assets		
Franchise fee	2,198	2,197
Franchise renewal process fee	10,986	10,987
	13,184	13,184
	58,659	54,051

Finance costs

	2022 $	2021 $
Lease interest expense	12,119	13,250
Unwinding of make-good provision	869	829
Other	-	347
	12,988	14,426

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

Note 8. Expenses (continued)

Employee benefits expense

	2022 $	2021 $
Wages and salaries	367,470	275,248
Non-cash benefits	43	-
Superannuation contributions	40,324	27,610
Expenses related to long service leave	4,212	5,484
Other expenses	62,504	39,110
	474,553	347,452

Accounting policy for employee benefits

Bendigo Bank seconds employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	7,007	7,099

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/(benefit)		
Movement in deferred tax	786	4,969
Reduction in company tax rate	-	715
Recoupment of prior year tax losses	-	34,063
Future income tax benefit attributable to losses	(12,855)	-
Aggregate income tax expense/(benefit)	(12,069)	39,747
Prima facie income tax reconciliation		
Profit/(loss) before income tax (expense)/benefit	(48,277)	149,888
Tax at the statutory tax rate of 25% (2021: 26%)	(12,069)	38,971
Tax effect of:		
Non-deductible expenses	-	61
Reduction in company tax rate	-	715
Income tax expense/(benefit)	(12,069)	39,747

Note 9. Income tax (continued)

	2022 $	2021 $
Deferred tax assets/(liabilities)		
Tax losses	37,493	24,639
Property, plant and equipment	(20,450)	(20,155)
Lease liabilities	54,047	61,407
Provision for lease make good	4,655	4,437
Accrued expenses	-	775
Right-of-use assets	(45,797)	(53,224)
Deferred tax asset	29,948	17,879

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

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

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	69,340	182,820
Term deposits	151,066	150,787
	220,406	333,607

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	4,752	14,664
Other receivables	12,026	8,233
Prepayments	4,891	4,891
	16,917	13,124
	21,669	27,788

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 $
Leasehold improvements - at cost	165,145	150,880
Less: Accumulated depreciation	(68,905)	(62,459)
	96,240	88,421
Plant and equipment - at cost	59,022	59,022
Less: Accumulated depreciation	(35,061)	(33,766)
	23,961	25,256
	120,201	113,677

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

	Leasehold improvements $	Plant and equipment $	Total $
Balance at 1 July 2020	93,593	26,648	120,241
Depreciation	(5,172)	(1,392)	(6,564)
Balance at 30 June 2021	88,421	25,256	113,677
Additions	14,265	-	14,265
Depreciation	(6,446)	(1,295)	(7,741)
Balance at 30 June 2022	96,240	23,961	120,201

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

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

Note 12. Property, plant and equipment (continued)

Depreciation is calculated on a 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:

Leasehold improvements	5 to 40 years
Plant and equipment	3 to 40 years
Motor vehicles	5 years

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

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

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

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

Note 13. Right-of-use assets

	2022 $	**2021 $**
Land and buildings - right-of-use	445,595	445,595
Less: Accumulated depreciation	(262,406)	(232,699)
	183,189	212,896
Motor vehicles - right-of-use	52,340	52,340
Less: Accumulated depreciation	(20,228)	(12,201)
	32,112	40,139
	215,301	253,035

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

	Land and buildings $	Motor vehicles $	Total $
Balance at 1 July 2020	242,602	16,478	259,080
Additions	-	28,258	28,258
Depreciation expense	(29,706)	(4,597)	(34,303)
Balance at 30 June 2021	212,896	40,139	253,035
Depreciation expense	(29,707)	(8,027)	(37,734)
Balance at 30 June 2022	183,189	32,112	215,301

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

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

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

Refer to note 16 for more information on lease arrangements.

Note 14. Intangibles

	2022 $	**2021 $**
Franchise fee	32,440	32,440
Less: Accumulated amortisation	(29,693)	(27,495)
	2,747	4,945
Franchise renewal fee	112,192	112,192
Less: Accumulated amortisation	(98,504)	(87,518)
	13,688	24,674
	16,435	29,619

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

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	7,142	35,661	42,803
Amortisation expense	(2,197)	(10,987)	(13,184)
Balance at 30 June 2021	4,945	24,674	29,619
Amortisation expense	(2,198)	(10,986)	(13,184)
Balance at 30 June 2022	2,747	13,688	16,435

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)	September 2023
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	September 2023

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

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

Note 15. Trade and other payables

	2022 $	2021 $
Current liabilities		
Other payables and accruals	20,790	25,454
Non-current liabilities		
Other payables and accruals	-	15,228

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

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

Note 16. Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	40,560	40,560
Unexpired interest	(9,684)	(11,125)
Motor vehicle lease liabilities	12,721	18,236
Unexpired interest	(418)	(994)
	43,179	46,677
Non-current liabilities		
Land and buildings lease liabilities	209,560	250,120
Unexpired interest	(24,244)	(33,928)
Motor vehicle lease liabilities	9,069	21,790
Unexpired interest	(113)	(531)
	194,272	237,451

Reconciliation of lease liabilities

	2022 $	2021 $
Opening balance	284,128	289,224
Additional lease liabilities recognised	-	31,380
Lease interest expense	12,119	13,250
Lease payments - total cash outflow	(58,796)	(49,726)
	237,451	284,128

Note 16. Lease liabilities (continued)

Maturity analysis

	2022 $	2021 $
Not later than 12 months	53,281	58,796
Between 12 months and 5 years	171,309	184,031
Greater than 5 years	47,320	87,879
	271,910	330,706

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

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

The company's lease portfolio includes:

Varsity Lakes branch	The lease agreement commenced in September 2013. A 5 year renewal option was exercised in September 2018. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is September 2028. The discount rate used in calculations is 4.79%.
Mazda CX-3	The lease agreement is a non-cancellable term of 4 years which commenced in October 2018. Upon the final lease payment the registered security over the motor vehicle is removed.
Mitsubishi Eclipse	The lease agreement is a non-cancellable term of 3 years which commenced in May 2021. Upon the final lease payment the registered security over the motor vehicle is removed.

Note 17. Provisions

	2022 $	2021 $
Lease make good	18,618	17,749

Note 17. Provisions (continued)

Lease make good
In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $25,000 for the Varsity Lakes Branch lease, based on experience and consideration of the expected future costs to remove all fittings as well as cost to remedy any damages caused during the removal process. The lease is due to expire September 2028 at which time it is expected the face-value costs to restore the premises will fall due.

Accounting policy for provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 18. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	621,709	621,709	621,709	621,709
Less: Equity raising costs	-	-	(23,825)	(23,825)
	621,709	621,709	597,884	597,884

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.

Note 18. Issued capital (continued)

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

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 93. As at the date of this report, the company had 102 shareholders (2021: 102 shareholders).

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

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

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

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

Note 19. Accumulated losses

	2022 $	2021 $
Accumulated losses at the beginning of the financial year	(164,838)	(274,979)
Profit/(loss) after income tax (expense)/benefit for the year	(36,208)	110,141
Dividends paid (note 21)	(49,737)	-
Accumulated losses at the end of the financial year	(250,783)	(164,838)

Note 20. Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

Note 20. Capital management (continued)

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 21. Dividends

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.

	2022 $	2021 $
Unfranked dividend of 8 cents per share	49,737	-

Accounting policy for dividends
Dividends are recognised in the financial year they are declared.

Note 22. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	4,752	14,664
Cash and cash equivalents	220,406	333,607
	225,158	348,271
Financial liabilities		
Trade and other payables	20,790	40,682
Lease liabilities	237,451	284,128
	258,241	324,810

Accounting policy for financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents and lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs (where applicable), when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Note 22. Financial instruments (continued)

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
The company held cash and cash equivalents of $220,406 at 30 June 2022 (2021: $333,607). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

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

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

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	20,790	-	-	20,790
Lease liabilities	53,281	171,309	47,320	271,910
Total non-derivatives	74,071	171,309	47,320	292,700

Note 22. Financial instruments (continued)

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	25,454	15,228	-	40,682
Lease liabilities	58,796	184,031	87,879	330,706
Total non-derivatives	84,250	199,259	87,879	371,388

Note 23. Key management personnel disclosures

The following persons were directors of Varsity Lakes Financial Services Limited during the financial year:

Duane Damman Williams
Wayne McArthur Clinton
Valentina Nenadic
Benjamin John Gordon Johnson
Ian Richard Verrico
Jason Peter Kenneth Allender
Stephen John Simpson

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

There are no executives within the company whose remuneration is required to be disclosed.

Note 24. Related party transactions

The following transactions occurred with related parties:

	2022 **$**	**2021** **$**
Benjamin Johnson provided Varsity Lakes with Business Activity Statement Preparation, Xero subscription and ASIC services. The total benefit received was:	2,021	2,835

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

Note 25. Remuneration of auditors

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

	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	2,960	3,290
Share registry services	2,711	2,350
	6,271	6,240
	11,471	11,240

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

	2022 $	2021 $
Profit/(loss) after income tax (expense)/benefit for the year	(36,208)	110,141
Adjustments for:		
Depreciation and amortisation	58,659	54,051
Lease liabilities interest	12,119	13,250
Change in operating assets and liabilities:		
Decrease in trade and other receivables	6,119	15,252
Decrease/(increase) in deferred tax assets	(12,069)	39,747
Decrease in trade and other payables	(6,048)	(22,255)
Increase in other provisions	869	829
Net cash provided by operating activities	23,441	211,015

Note 27. Earnings per share

	2022 $	2021 $
Profit/(loss) after income tax	(36,208)	110,141
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	621,709	621,709
Weighted average number of ordinary shares used in calculating diluted earnings per share	621,709	621,709
	Cents	**Cents**
Basic earnings per share	(5.82)	17.72
Diluted earnings per share	(5.82)	17.72

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Varsity Lakes Financial Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 28. Commitments

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

Note 29. Contingencies

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

Note 30. Events after the reporting period

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors' Declaration

In 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

Duane Damman Williams
Chairman

14 October 2022

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Independent auditor’s report to the Directors of Varsity Lakes Financial Services Limited

Report on the Audit of the Financial Report

Opinion

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

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Varsity Lakes Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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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: 21 October 2022

Adrian Downing
Lead Auditor

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Bendigo Bank