



# 2023 Annual Report

Palerang  
Financial Services Limited

ABN 83 097 801 100

Community Bank Braidwood  
Community Bank Bungendore  
Community Bank Agency Crookwell

 **Bendigo Bank**

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# Chairperson's report

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## **For year ending 30 June 2023**

It is my privilege to provide you with the Palerang Financial Services Limited (PFSL) Annual Report for the 2022/23 Year.

The 2022/23 financial year has proven to be the most profitable year that our company has achieved in its 21-year history and that has enabled us to allocate record funding to our local community in Braidwood, Bungendore and surrounds.

The 2022/23 year saw the end of the low interest rate environment that had prevailed for the previous few years. As a result, the margin income for the company increased, particularly for deposits, enabling our profit before interest, tax, and community contributions to also grow significantly to a record amount of \$2.387 million.

During the past financial year, we have continued to deliver sponsorships, grants, and donations to our community and, because of the record profit, a record total of \$2,156,156 has been allocated to the community for the year. These contributions consisted of \$56,156 given directly to community organisations during 2022/23 plus a further \$2.1 million deposited in the Community Enterprise Foundation (CEF), which is Bendigo and Adelaide Bank's philanthropic arm, where the funds are held in trust for us ready for use in future community funding initiatives.

In September 2022, the company celebrated its 20<sup>th</sup> year of service to our customers and the community. I am proud to report that throughout this time this company has delivered upon its purpose to return benefits to the community by providing financial services to the community. Since its commencement in September 2002 until 30 June 2023, PFSL has provided \$8.267m to our local community. Within this total we had \$2.78m invested in the CEF on 30 June 2023.

I am pleased to announce that the PFSL Board has already agreed in principle to provide up to \$1.0m of these CEF funds towards the construction of a new, indoor heated pool to be located at the Bungendore Sports Hub. This aquatic facility will be a significant positive contributor to the social and cultural well-being of people in the Bungendore and Braidwood districts. It will enable year-round swimming classes for all ages, competition training for our young athletes and aqua therapy sessions for seniors, while minimising the travel time and cost for people currently participating in such activities at heated pools in Batemans Bay and Queanbeyan.

This total contribution to the community of \$8.267m represents the majority of our profit over these past 21 years and clearly demonstrates that we are a substantial, sustainable, community-built business that contributes to community prosperity.

For the 2022/23 financial year, based on a profit result after community contributions and before income tax of \$231,191, the company has declared a franked dividend of

## Chairperson's report (continued)

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7.5 cents per share (CPS) as of 1 November 2023 to be paid to shareholders in December 2023.

We continue to maintain an excellent structural position on our balance sheet with no debt, \$3.06m in assets and \$0.421m in liabilities, and our strategic plan is to grow the business utilising this strong balance sheet as a base for growth.

Our success during this last year and for the past 21 years has been on the back of the outstanding leadership within the business, and the hard work of our magnificent staff who are all local people dedicated to serving both the business and the communities they live in. In particular I would like to mention our Company Secretary Janene Collins who is retiring at the end of 2023 after almost ten years of dedicated service to PFSL and the Braidwood community. During this significant amount of time, Janene has been the administrative back bone of this company and has kept us all on the straight and narrow with her highly professional interaction with the Board, senior management, and service providers, plus her personal dedication to the community that PFSL serves. Thank you, Janene, we appreciate everything that you have done for us, and we wish you the best for your retirement.

Finally, thanks go to our shareholders for receiving this report, for your investment in us, and for your continued support for your company and its Community Bank branches.

Garry Cook  
Chair, PFSL Board of Directors

# Senior Manager's Report

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## **For year ending 30 June 2023**

It has been an amazing year with a record profit of \$2,387,347 before community contributions and tax. This is 3.1 times the amount of last year's profit and the highest we have achieved by more than 240% since the bank commenced in 2002.

This has been due to the unusual circumstance created by COVID and the official interest rates dropping to 0.10% and then the rapid increase in interest rates. This has meant that our interest margins expanded as loan rates went up faster than deposit rates.

Deposit rates were near zero so although we were growing our level of deposits, we were making no margin on these products. Now the rates have increased, we make an interest margin on both deposits and loans.

This will not continue at the rate we have seen as the rise in rates has plateaued and more stable interest margins are being achieved. We will not see another 2022/23 year for returns but are still budgeting for a \$1.8M profit for the coming financial year.

Business growth, especially in lending is challenging as less people are qualifying for home lending and the market has quietened.

In this 2022/23 financial year, loans actually fell by \$4.8 million compared to an increase of \$12 million in the previous year. Deposits increased by \$17.8 million in 2022/23 compared to \$38 million the previous year.

This saw us achieve revenue of \$4,192,441 from operations which was significantly up on previous years. This resulted in the record profit before community contributions of \$2,387,347 resulting in us allocating \$2,156,156 for community contributions for the year.

Expenses were \$1,805,094 which was down \$91,068 from the previous year. This was due to a \$91,257 reduction in staff costs with some positions being unfilled during the year.

Our cost to income ratio was 43.1% and employee expenses to income at 29.5% which is well within our target. These will become higher in the coming year as the margins contract.

We continue to have a strong balance sheet with \$2,640,438 in net assets and no debt.

The staff changes highlighted last year are in place with changes occurring during the year.

Melissa O'Dea, our Mobile Relationship Manager, has returned from parental leave, with Samantha Machell no longer working for the business.

## Senior Manager's report (continued)

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Meagan Orford is not returning from parental leave and resigned. Carrie Reeves is taking a second 12 months parental leave with Amy-Louise Warren contract extended to cover the role.

Sally Stevenson has left the Bungendore branch and is now working for Gilgandra branch. Sally Harrison has returned from parental leave and has taken a role as Customer Relationship Manager in Bungendore.

Michelle Barclay has been hired to fill the vacant customer service role.

I wish Meagan, Samantha and Sally all the best in the future and thank them for their service and commitment.

The large profit has been a great bonus which has allowed us to put substantial funds into the community and look to assist with more projects. The large profit and community contributions we saw this year will not be repeated but we should be able to achieve results better than previous years.

We can not forget the people who are responsible for this fantastic result being the staff and directors of the company.

The Directors are all volunteers who give up their time and expertise to ensure the company is run in an efficient and professional manner, for no more reward than seeing the positive outcomes for their communities.

Janene Collins our Company Secretary for the last nine plus years who has always done a great job in supporting both me and the board over that time. Janene will be leaving at the end of 2023, and this will be her last AGM. We thank and wish Janene all the best in retirement.

The success often hides the change and challenges that the staff must deal with as the industry and Bendigo Bank change how they do business. There have been a lot of changes especially around lending, compliance, digital banking and fraud. I am very proud of the staff and how they have adapted and continue to put the customers first. Thank you.

I look forward to continuing our relationship into the future.

Craig Pettit  
Senior Manager

# Directors' Report

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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: Garry Edward Cook  
Title: Non-executive director  
Experience and expertise: Employed as an agricultural consultant and manager for 42 years including 19 years with the Indigenous Land Corporation (Commonwealth Statutory Authority). Member of Rotary Club of Bungendore, committee member of Bungendore Rugby Football Club, committee member St Mary's and St Philip's Combined Churches Rodeo Association, committee member Bungendore Rodeo and Equestrian Sports and Recreation Ground Trust, committee member Bungendore Community Foundation. Bachelor of Science (Hons), Graduation Australian Institute of Company Directors and Graduate of Australian Rural Leadership Programme.  
Special responsibilities: Chair, member of Finance & HR Committee, member of Bungendore Community Funding Committee

Name: Rhyll Elizabeth Tozer  
Title: Non-executive director  
Experience and expertise: Registered Tax Agent. Started working career in banking for Westpac Melbourne office. Treasurer for Braidwood Life Centre and the Bungendore Chamber of Commerce. Chaired the Braidwood Community Help fund which dispersed donated funds to affected residents and businesses of the 2019/2020 bushfires.  
Special responsibilities: Treasurer, Finance & HR Committee

Name: Dale Josephine Towell  
Title: Non-executive director  
Experience and expertise: Dale is an Authorised Marriage Celebrant. Secretary, Rally director and magazine editor - Classic Riders Club Goulburn.  
Special responsibilities: Vice Chair responsibilities, Chair of Governance & Risk Committee, Member of Community Funding Committee

Name: Diana Mary Izzard  
Title: Non-executive director  
Experience and expertise: Di runs a sheep and cattle farm in the area. She is closely involved with several community groups including the Braidwood Show Society and the Gundillion Hall and Recreation Trust. Di also has previous experience in administration and accounts working in the Australia Federal Public Service and in private enterprise.  
Special responsibilities: Braidwood Community Funding Committee

Name: Alexandra Rofe  
Title: Non-executive director  
Experience and expertise: Alexandra has extensive experience working in the public sector, engaged in strategic, policy and operational roles, with both business & corporate governance knowledge. In her local community Alex has volunteered with Majors Creek Recreation Reserve, the Majors Creek ANZAC Committee and the Majors Creek Progress Association.  
Special responsibilities: Braidwood Community Funding Committee

Name: Richard Elliot  
Title: Non-executive director  
Experience and expertise: Richard has a scientific background and has previously sat on the board of a Credit Union. Richard is currently the captain of the Majors Creek Rural Fire Service. He is involved in several community organisations such as Braidwood National Theatre s355 Committee, Braidwood Film Club and the Historical Radio Society.  
Special responsibilities: Braidwood Community Funding Committee

## Directors' report (continued)

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Name:	Shane Anthony Holness
Title:	Non-executive director
Experience and expertise:	Shane is a Project Management Consultant. AIMM;GAICD. Shane has operated a family business since 1999; former director in the APS; former member of the Royal Australian Navy; member of the Community Bank National Council. Other current directorships include Warringah Financial Services Ltd, Director & Chair of Western Riverina Community Financial Services Pty Ltd.
Special responsibilities:	Governance & Risk Committee, Finance & HR Committee
Name:	Andrew Trevor Callan
Title:	Non-executive director
Experience and expertise:	BA Agriculture / BA Business (UNE). Certificate IV in Metalliferous Mining Operations (Underground). NSW Underground Mine Supervisor. Underground Miner. NSW Underground Shot Firer. Farmer and Grazier. Chairperson of Braidwood and District Education Foundation Committee.
Special responsibilities:	Governance and Risk Committee
Name:	Craig Hinder
Title:	Non-executive director
Experience and expertise:	Craig holds a Bachelor of Science (Aviation) and a Master of Business and Technology. Commencing his working career as a commercial pilot, Craig has since held several positions across the Australian Public Service, currently employed as a director in the Department of Agriculture, Fisheries and Forestry. As a local beekeeper, Craig also runs a small beekeeping business, is a member of the Goulburn Beekeeping Club and mentors several beekeepers in the region.
Special responsibilities:	Bungendore Community Funding Committee

### Company secretary

The Company secretary is Janene Collins. Janene was appointed to the position of Company Secretary on 24 August 2014.

Experience and expertise: Janene has a Diploma of Community Organisation Management and an Associate Degree in Library and Information Studies as well as many years' experience as an Administrator and a volunteer board member with a variety of organisations.

### 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 \$173,393 (30 June 2022: \$174,019).

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.

### 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 7.5 cents per share (2022: 7.5 cents)	<u><u>99,032</u></u>



# Directors' report (continued)

## Significant changes in the state of affairs

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

## Matters subsequent to the end of the financial year

No matter or 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 attended by each of the directors of the company during the financial year were:

	Board		Finance & HR		Governance & Risk	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Garry Edward Cook	12	12	11	10	-	-
Rhyll Elizabeth Tozer	12	11	11	11	-	-
Dale Josephine Towell	12	11	-	-	4	4
Diana Mary Izzard	12	11	-	-	4	2
Alexandra Rofe	12	10	-	-	-	-
Richard Elliot	12	12	-	-	-	-
Shane Anthony Holness	12	7	11	5	3	1
Andrew Trevor Callan	12	12	-	-	4	3
Craig Hinder	12	11	-	-	-	-

## Directors' benefits

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

## Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Garry Edward Cook	-	-	-
Rhyll Elizabeth Tozer	-	-	-
Dale Josephine Towell	-	-	-
Diana Mary Izzard	7,500	-	7,500
Alexandra Rofe	-	-	-
Richard Elliot	9,500	-	9,500
Shane Anthony Holness	2,000	-	2,000
Andrew Trevor Callan	-	-	-
Craig Hinder	-	-	-

## Directors' report (continued)

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### **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 29 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.

## Directors' report (continued)

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### **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



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Garry Edward Cook  
Chair

20 September 2023

# Auditor's independence declaration

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

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

As lead auditor for the audit of Palerang 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', with a horizontal line extending to the right.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 20 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin', with a horizontal line extending to the right.

**Joshua Griffin**  
Lead Auditor



[afsbendigo.com.au](http://afsbendigo.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Financial statements

## Palerang 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	4,126,613	2,664,622
Other revenue	7	42,904	16,885
Finance revenue		11,352	-
Fair value gains/(losses) on financial assets	8	11,572	(27,331)
Total revenue		<u>4,192,441</u>	<u>2,654,176</u>
Employee benefits expense	9	(1,238,342)	(1,329,599)
Advertising and marketing costs		(57,858)	(41,316)
Occupancy and associated costs		(70,452)	(75,659)
System costs		(36,049)	(41,025)
Depreciation and amortisation expense	9	(71,981)	(84,421)
Finance costs		(1,248)	(2,077)
General administration expenses		(329,164)	(322,065)
Total expenses before community contributions		<u>(1,805,094)</u>	<u>(1,896,162)</u>
<b>Profit before community contributions and income tax expense</b>		2,387,347	758,014
Charitable donations, sponsorships and grants expense	9	<u>(2,156,156)</u>	<u>(525,743)</u>
<b>Profit before income tax expense</b>		231,191	232,271
Income tax expense	10	<u>(57,798)</u>	<u>(58,252)</u>
<b>Profit after income tax expense for the year</b>	22	173,393	174,019
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u><u>173,393</u></u>	<u><u>174,019</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	31	13.13	13.18
Diluted earnings per share	31	13.13	13.18

# Financial statements (continued)

## Palerang 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	11	841,522	1,137,951
Trade and other receivables	12	477,984	254,711
Current tax assets	10	70,706	-
Total current assets		<u>1,390,212</u>	<u>1,392,662</u>
<b>Non-current assets</b>			
Financial assets	15	144,557	124,249
Investment properties	16	2,081	5,183
Property, plant and equipment	13	1,428,529	1,382,556
Right-of-use assets	14	10,056	22,699
Intangible assets	17	86,489	99,177
Total non-current assets		<u>1,671,712</u>	<u>1,633,864</u>
<b>Total assets</b>		<u>3,061,924</u>	<u>3,026,526</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	80,390	117,597
Lease liabilities	19	13,735	18,275
Current tax liabilities	10	-	18,570
Employee benefits	20	172,698	167,566
Total current liabilities		<u>266,823</u>	<u>322,008</u>
<b>Non-current liabilities</b>			
Lease liabilities	19	-	12,741
Deferred tax liabilities	10	141,440	90,493
Employee benefits	20	13,223	35,207
Total non-current liabilities		<u>154,663</u>	<u>138,441</u>
<b>Total liabilities</b>		<u>421,486</u>	<u>460,449</u>
<b>Net assets</b>		<u>2,640,438</u>	<u>2,566,077</u>
<b>Equity</b>			
Issued capital	21	1,062,849	1,062,849
Reserves		423,150	423,150
Retained earnings	22	1,154,439	1,080,078
<b>Total equity</b>		<u>2,640,438</u>	<u>2,566,077</u>

# Financial statements (continued)

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

	Note	Issued capital \$	Revaluation Reserve \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2021</b>		1,062,849	423,150	1,005,091	2,491,090
Profit after income tax expense		-	-	174,019	174,019
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for	24	-	-	(99,032)	(99,032)
<b>Balance at 30 June 2022</b>		<u>1,062,849</u>	<u>423,150</u>	<u>1,080,078</u>	<u>2,566,077</u>
	Note	Issued capital \$	Revaluation reserve \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2022</b>		1,062,849	423,150	1,080,078	2,566,077
Profit after income tax expense		-	-	173,393	173,393
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for	24	-	-	(99,032)	(99,032)
<b>Balance at 30 June 2023</b>		<u>1,062,849</u>	<u>423,150</u>	<u>1,154,439</u>	<u>2,640,438</u>

## Palerang 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)		4,456,622	2,897,203
Payments to suppliers and employees and for community contributions (inclusive of GST)		(4,462,569)	(2,557,914)
Interest received		11,352	-
Income taxes paid		(96,127)	(65,409)
Net cash provided by/(used in) operating activities	30	<u>(90,722)</u>	<u>273,880</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	13	(99,366)	(6,916)
Proceeds from disposal of property, plant and equipment		12,697	-
Net cash used in investing activities		<u>(86,669)</u>	<u>(6,916)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	24	(99,032)	(99,032)
Repayment of lease liabilities	19	(20,006)	(18,629)
Net cash used in financing activities		<u>(119,038)</u>	<u>(117,661)</u>
Net increase/(decrease) in cash and cash equivalents		(296,429)	149,303
Cash and cash equivalents at the beginning of the financial year		1,137,951	988,648
Cash and cash equivalents at the end of the financial year	11	<u>841,522</u>	<u>1,137,951</u>

# Notes to the Financial Statements

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## Note 1. Reporting entity

The financial statements cover Palerang Financial Services Limited (the company) as an individual entity.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Unit 1, 19 Park Lane, Braidwood NSW.

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 20 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.

### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.



# Notes to the Financial Statements (continued)

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## Note 3. Significant accounting policies (continued)

### Impairment

#### *Non-derivative financial assets*

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

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

#### *Fair value measurement hierarchy*

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: inputs are based on the quoted market price at the close of business at the end of the reporting period
- Level 2: inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market
- Level 3: unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

# Notes to the Financial Statements (continued)

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

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

### *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. 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.

### *Sublease classification*

Judgement is required to determine the classification of the sublease as either an operating or a finance sublease.

### *Employee benefits provision*

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

# Notes to the Financial Statements (continued)

## 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 June 2026.

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

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

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

## Note 6. Revenue from contracts with customers

	2023	2022
	\$	\$
Margin income	3,882,724	2,394,520
Fee income	128,560	148,361
Commission income	115,329	121,741
	<u>4,126,613</u>	<u>2,664,622</u>

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.

# Notes to the Financial Statements (continued)

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

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.

### *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
<b>plus:</b>	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
<b>minus:</b>	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.

### *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.

# Notes to the Financial Statements (continued)

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

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

## Note 7. Other revenue

	2023 \$	2022 \$
Net gain on disposal of property, plant and equipment	1,375	-
Dividend and distribution income	8,736	13,340
Rental income	3,545	3,545
Other income	29,248	-
	<u>42,904</u>	<u>16,885</u>

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

Net gain on sale of property, plant and equipment

Dividend and distribution income

Rental income

Other income

### Revenue recognition policy

Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

Dividend and distribution income is recognised when the right to receive the payment is established.

Rental income from owned investment properties subleased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of GST.

## Note 8. Fair value gains/(losses) on financial assets

	2023 \$	2022 \$
Fair value gains/(losses) on financial assets	<u>11,572</u>	<u>(27,331)</u>

These amounts relate to the increase/decrease in the market value of financial assets held by the company.

## Note 9. Expenses

### Employee benefits expense

# Notes to the Financial Statements (continued)

## Note 9. Expenses (continued)

	2023 \$	2022 \$
Wages and salaries	1,087,128	1,154,725
Non-cash benefits	5,107	-
Superannuation contributions	113,988	119,561
Expenses related to long service leave	(24,107)	(1,205)
Other expenses	56,226	56,518
	<u>1,238,342</u>	<u>1,329,599</u>

### *Accounting policy for employee benefits*

Bendigo Bank second some 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 for these Bendigo Bank employees.

## Depreciation and amortisation expense

	2023 \$	2022 \$
<i>Depreciation of non-current assets</i>		
Buildings	20,175	17,866
Plant and equipment	10,136	11,511
Motor vehicles	11,760	11,647
	<u>42,071</u>	<u>41,024</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	13,764	12,530
Leased investment property	3,458	3,376
	<u>17,222</u>	<u>15,906</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	12,688	27,491
	<u>71,981</u>	<u>84,421</u>

## Leases recognition exemption

	2023 \$	2022 \$
Expenses relating to low-value leases	13,216	16,523
	<u>13,216</u>	<u>16,523</u>

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 Leases*. 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	156,156	173,743
Contribution to the Community Enterprise Foundation™	2,000,000	352,000
	<u>2,156,156</u>	<u>525,743</u>

# Notes to the Financial Statements (continued)

## Note 9. Expenses (continued)

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 10. Income tax

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
Current tax	6,851	66,097
Movement in deferred tax	50,947	(7,845)
	<u>57,798</u>	<u>58,252</u>
Aggregate income tax expense		
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	231,191	232,271
Tax at the statutory tax rate of 25%	57,798	58,068
Tax effect of:		
Non-deductible expenses	-	184
Income tax expense	<u>57,798</u>	<u>58,252</u>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax liabilities/(assets)</i>		
Property, plant and equipment	188,166	144,704
Financial assets at fair value through profit or gain/(loss)	322	(2,572)
Right-of-use assets	3,035	6,971
Lease liabilities	(3,434)	(7,754)
Employee provisions	(46,649)	(50,856)
Deferred tax liability	<u>141,440</u>	<u>90,493</u>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Income tax refund due	<u>70,706</u>	<u>-</u>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Provision for income tax	<u>-</u>	<u>18,570</u>

# Community Bank Bungendore

## Contributions to our community 2022/23

Organisation	Project Title	Amount \$
Bungendore Community Landcare Inc.	Millpost Tree Planting	1,000.00
Bungendore PA & H Society Inc.	Bungendore Show 2022	10,000.00
Bungendore Public School P & C Assoc.	Performing Arts Troupes: School Spectacular	3,465.00
Refund: Bungendore PA & H Society Inc.	Cancellation Bungendore Show 2022	-10,000.00
Tarago Area Womens Shed Inc	Shelving Solution	1,000.00
Rotary Club of Bungendore	Bungendore Community Christmas Hampers	1,500.00
Sutton Public School P & C Assoc.	Country Fair	7,500.00
Rotary Club of Bungendore	Brekkie Club	5,000.00
Bungendore Swimming Club	Uniforms and Equipment	5,000.00
Bungendore Preschool	Country Fair	1,000.00
Rotary Club of Bungendore	P-Plater Defensive Drving Course #5	2,000.00
Back to the Flat - Organising	Event March 2023	2,000.00
Bungendore War Memorial Committee	Commemorative Dinner	500.00
Tarago & District Show Society	Event Sponsorship	1,000.00
Bungendore Rugby Football Club Inc	Playing gear for Mudchooks	5,000.00
Bungendore Junior RLFC	Major Sponsorship - 2023 Season	5,000.00
Bungendore Preschool	Community Jigsaw Puzzle	2,727.27
Bungendore Rugby Football Club Inc.	Jerseys for Mudchooks	2,354.00
Bungendore United Football Club	Jerseys 2023	2,500.00
Bungendore Youth Orchestra	Instruments, music video, etc	11,950.00
Picking up the Pieces Limited	Change My Mind - Suicide Intervention	4,350.00
Respite Care for QBN	QBN High Tea	302.73
Picking up the Peaces Limited	Paws - Pilot K9 Project	5,000.00

Organisation	Project Title	Amount \$
Victoria Flood Appeal	Disaster relief	1,000.00
Bungendore Community Bank Scholarships	2023 Scholarship Program	20,500.00
Captains Flat Men's Shed	Upgrade Kitchen	20,000.00



# Community contributions 2022/23



## Bungendore



1. Picking Up the Peaces
2. 2023 Scholarship Award
3. Bungendore Swim Club
4. Bungendore Pre-School Fete
5. Rotary Club of Bungendore Defensive Driver Training



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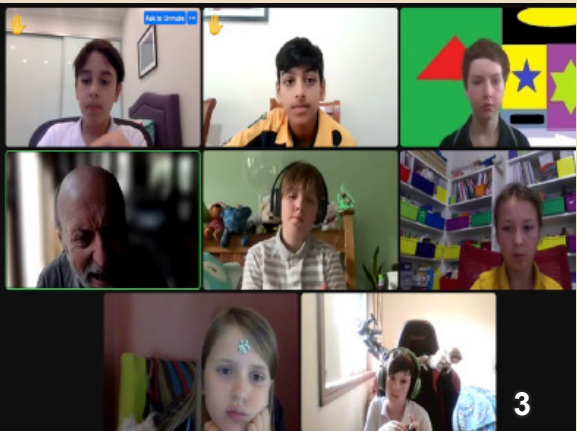
# Braidwood



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1. Lions Club of Braidwood Young Writers Festival Awards
2. 2023 Scholarship Award
3. Consensus Education Foundation Students join online Think Tank
4. Braidwood Scouts install air conditioning
5. Mongarlowe Volunteer Bush Fire Brigade

# Community Bank Braidwood

## Contributions to our community 2022/2023

Organisation	Project Title	Amount \$
Braidwood FM Inc.	Portable outside broadcast unit	3,300.00
Country Women's Association - Majors Creek	Showbags for Braidwood Show Day	500.00
The Lions Club of Braidwood Inc.	Antique and Collectables Fair	1,500.00
Braidwood Quilters & Textiles	Braidwood Airing of the Quilts	1,818.18
Braidwood FM Inc.	The Heart of the Storm Podcast Launch	5,000.00
Bigga Golf Club Limited	Sponsorship of Golf Hole	300.00
Commonwood Farm Inc	Purchase Farm Equipment	1,000.00
Braidwood Jockey Club Inc	Braidwood Race Day	3,000.00
Australian Agricultural Centre	International Women's Day - Women in Agriculture	500.00
BYPAA - BW Youth Performing Arts Association	Safety Equipment for Skate Park Opening	500.00
Braidwood Gold Club	Ladies Open & Facilities Upgrade	5,000.00
Mongarlowe Volunteer Bush Fire Brigade	Fire Shed Kitchen Completion	11,131.50
Braidwood Junior Soccer Club	Uniforms	5,000.00
Braidwood Show Society	Braidwood Polocrosse Club - Annual Carnival	2,727.72
Majors Creek Festival Inc	2022 Majors Creek Festival	10,000.00
Braidwood Bowling Club	Green Maintenance, Events Jul 23 - Jun 24	3,740.00
Quick Shear Incorporated	Binda Quick Shear 2023	1,000.00
Braidwood Hospital Auxiliary	Hospital Auxiliary - Fete	908.00
1st Braidwood Scout Group	Heating / Cooling Upgrade	6,980.00
Braidwood Life Centre	Christmas Hamper Distribution and lunch	4,600.00
The Terry Campese Foundation	TCF Mentor Program	5,000.00
Braidwood and District Education Foundation	BDEF 2024 Grant Project	15,000.00
The Consensus Education Foundation	Project Part 1	2,860.00

Organisation	Project Title	Amount \$
Braidwood & District Historical Society	Showground Lighting	28,614.00
Braidwood & District Historical Society	Showground Lighting	193,517.00
Braidwood Preschool	Facility Extension	100,00.00
Araluen Recreation Reserve	Playground Shade	8,870.00
Victoria Flood Appeal	Disaster Relief	1,000.00
The Consensus Education Foundation	Project Part 2	2,600.00
The Consensus Education Foundation	Thnk Tank Workshops	11,200.00
Braidwood Community Bank Scholarships	2023 Scholarship Program	8,750.00

# Notes to the Financial Statements (continued)

## Note 10. Income tax (continued)

### *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 11. Cash and cash equivalents

	2023 \$	2022 \$
Cash at bank and on hand	841,522	595,978
Term deposits	-	541,973
	<u>841,522</u>	<u>1,137,951</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.

## Note 12. Trade and other receivables

	2023 \$	2022 \$
Trade receivables	368,868	248,846
Other receivables and accruals	104,359	-
Prepayments	4,757	5,865
	<u>109,116</u>	<u>5,865</u>
	<u>477,984</u>	<u>254,711</u>

# Notes to the Financial Statements (continued)

## Note 12. Trade and other receivables (continued)

### 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 13. Property, plant and equipment

	2023 \$	2022 \$
Land - at fair value	418,105	418,105
Buildings - at fair value	962,260	939,571
Less: Accumulated depreciation	(100,556)	(86,232)
	<u>861,704</u>	<u>853,339</u>
Plant and equipment - at cost	316,566	304,603
Less: Accumulated depreciation	(227,124)	(216,988)
	<u>89,442</u>	<u>87,615</u>
Motor vehicles - at cost	114,964	80,271
Less: Accumulated depreciation	(55,686)	(56,774)
	<u>59,278</u>	<u>23,497</u>
	<u>1,428,529</u>	<u>1,382,556</u>

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

	Land \$	Buildings \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2021	418,105	871,205	92,210	35,144	1,416,664
Additions	-	-	6,916	-	6,916
Depreciation	-	(17,866)	(11,511)	(11,647)	(41,024)
Balance at 30 June 2022	418,105	853,339	87,615	23,497	1,382,556
Additions	-	28,540	11,963	58,863	99,366
Disposals	-	-	-	(11,322)	(11,322)
Depreciation	-	(20,175)	(10,136)	(11,760)	(42,071)
Balance at 30 June 2023	<u>418,105</u>	<u>861,704</u>	<u>89,442</u>	<u>59,278</u>	<u>1,428,529</u>

### Fair value

The fair value of property was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the company's investment property portfolio every 3 to 5 years.

The company's Braidwood and Bungendore properties were independently valued effective 16 November 2020 by Saunders & Staniforth Valuers.

### 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.

# Notes to the Financial Statements (continued)

## Note 13. Property, plant and equipment (continued)

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

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

Land and buildings	6 to 80 years
Plant and equipment	5 to 40 years
Motor vehicles	4 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### *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 14. Right-of-use assets

	2023	2022
	\$	\$
Land and buildings - right-of-use	75,915	74,437
Less: Accumulated depreciation	<u>(65,859)</u>	<u>(51,738)</u>
	<u>10,056</u>	<u>22,699</u>

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

	Land and buildings \$
Balance at 1 July 2021	33,252
Remeasurement adjustments	1,977
Depreciation expense	<u>(12,530)</u>
Balance at 30 June 2022	22,699
Remeasurement adjustments	1,121
Depreciation expense	<u>(13,764)</u>
Balance at 30 June 2023	<u>10,056</u>

### *Accounting policy for right-of-use assets*

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

# Notes to the Financial Statements (continued)

## Note 14. 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 19 for more information on lease arrangements.

## Note 15. Financial assets

	2023	2022
	\$	\$
Equity securities - at FVTPL	<u>144,557</u>	<u>124,249</u>

### Accounting policy for financial assets

Financial assets are recognised at their market value. Financial assets are derecognised when the rights to receive cash flows have been transferred and the company has transferred substantially all the risks and rewards of ownership.

The company classifies investments as a current asset when it expects to realise the asset or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

## Note 16. Investment properties

	2023	2022
	\$	\$
Investment property - sublease - at cost	18,609	18,609
Less: Accumulated depreciation	<u>(16,528)</u>	<u>(13,426)</u>
	<u>2,081</u>	<u>5,183</u>

### Accounting policy for investment properties - sublease

The company subleases some of its property. The company initially measures the head lease in accordance with AASB16 before separately identifying the sublease portion under *AASB 140: Investment property*. The investment property is initially measured at cost under *AASB 16: leases* and subsequently measured at cost less accumulated depreciation under *AASB 140: investment properties*.

### Accounting policy for subleases

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

During the sublease term the company recognises sublease income in other revenue when earned. Depreciation on the right-of-use asset and interest on the lease liability is recognised under the head lease. The company recognise the sublease portion of the right-of-use asset within investment property.

# Notes to the Financial Statements (continued)

## Note 17. Intangible assets

	2023 \$	2022 \$
Franchise fee	328,359	328,359
Less: Accumulated amortisation	<u>(241,870)</u>	<u>(229,182)</u>
	<u>86,489</u>	<u>99,177</u>

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

	Franchise fee \$
Balance at 1 July 2021	126,668
Amortisation expense	<u>(27,491)</u>
Balance at 30 June 2022	99,177
Amortisation expense	<u>(12,688)</u>
Balance at 30 June 2023	<u>86,489</u>

### 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)	June 2026

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 18. Trade and other payables

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	10,416	14,106
Other payables and accruals	<u>69,974</u>	<u>103,491</u>
	<u>80,390</u>	<u>117,597</u>



# Notes to the Financial Statements (continued)

## Note 18. Trade and other payables (continued)

### 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 19. Lease liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	14,014	19,500
Unexpired interest	(279)	(1,225)
	<u>13,735</u>	<u>18,275</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	-	13,000
Unexpired interest	-	(259)
	<u>-</u>	<u>12,741</u>
<i>Reconciliation of lease liabilities</i>		
	2023 \$	2022 \$
Opening balance	31,016	45,097
Remeasurement adjustments	1,477	2,471
Lease interest expense	1,248	2,077
Lease payments - total cash outflow	(20,006)	(18,629)
	<u>13,735</u>	<u>31,016</u>
<i>Maturity analysis</i>		
	2023 \$	2022 \$
Not later than 12 months	14,014	19,500
Between 12 months and 5 years	-	13,000
	<u>14,014</u>	<u>32,500</u>

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Park Lane Lease	5.39%	2 years	N/A	N/A	February 2024

### 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.

# Notes to the Financial Statements (continued)

## Note 19. Lease liabilities (continued)

Lease payments included in the measurement of the lease liability comprise of variable lease payments that depend on an index 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 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.

## Note 20. Employee benefits

	2023 \$	2022 \$
<i>Current liabilities</i>		
Annual leave	70,844	63,188
Long service leave	101,854	104,378
	<u>172,698</u>	<u>167,566</u>
<i>Non-current liabilities</i>		
Long service leave	<u>13,223</u>	<u>35,207</u>

### *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.

# Notes to the Financial Statements (continued)

## Note 20. Employee benefits (continued)

### *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 21. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	1,062,849	1,062,849	1,062,849	1,062,849
Bonus shares - fully paid (2:1)	257,570	257,570	-	-
	<u>1,320,419</u>	<u>1,320,419</u>	<u>1,062,849</u>	<u>1,062,849</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.

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*.

# Notes to the Financial Statements (continued)

## Note 21. Issued capital (continued)

### *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.

## Note 22. Retained earnings

	2023 \$	2022 \$
Retained earnings at the beginning of the financial year	1,080,078	1,005,091
Profit after income tax expense for the year	173,393	174,019
Dividends paid (note 24)	<u>(99,032)</u>	<u>(99,032)</u>
Retained earnings at the end of the financial year	<u>1,154,439</u>	<u>1,080,078</u>

## Note 23. 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%.

# Notes to the Financial Statements (continued)

## Note 23. Capital management (continued)

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 24. 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 7.5 cents per share (2022: 7.5 cents)	<u>99,032</u>	<u>99,032</u>

### Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

## Franking credits

	2023 \$	2022 \$
Franking account balance at the beginning of the financial year	582,970	550,572
Franking credits (debits) arising from income taxes paid (refunded)	96,126	65,409
Franking debits from the payment of franked distributions	<u>(33,010)</u>	<u>(33,011)</u>
	646,086	582,970
<i>Franking transactions that will arise subsequent to the financial year end:</i>		
Balance at the end of the financial year	646,086	582,970
Franking credits (debits) that will arise from payment (refund) of income tax	<u>(70,706)</u>	<u>18,570</u>
Franking credits available for future reporting periods	<u>575,380</u>	<u>601,540</u>

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

## Note 25. Financial instruments

	2023 \$	2022 \$
<b>Financial assets</b>		
Trade and other receivables	473,227	248,846
Cash and cash equivalents	841,522	1,137,951
Financial assets	<u>144,557</u>	<u>124,249</u>
	<u>1,459,306</u>	<u>1,511,046</u>
<b>Financial liabilities</b>		
Trade and other payables	80,390	117,597
Lease liabilities	<u>13,735</u>	<u>31,016</u>
	<u>94,125</u>	<u>148,613</u>

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, lease liabilities, equity securities.

# Notes to the Financial Statements (continued)

## Note 25. Financial instruments (continued)

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, except for the equity securities which are measured at fair value through other comprehensive income.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income. The company has elected to do this and as such, net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss.

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. For equity securities any gain or loss on derecognition is recognised in other comprehensive income. Any gain or loss on other assets and liabilities is recognised through 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 \$841,522 at 30 June 2023 (2022: \$1,137,951).

### **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.

### **Equity Price risk**

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX). All unlisted equity investments trade shares through a Low Volume Financial Market. Changes in equity securities value is recognised through profit or loss or other comprehensive income.

	% change increase	Effect on profit before tax	Effect on equity	% change decrease	Effect on profit before tax	Effect on equity
2023						
Equity securities	10%	<u>14,456</u>	<u>10,842</u>	(10%)	<u>(14,456)</u>	<u>(10,842)</u>

# Notes to the Financial Statements (continued)

## Note 25. Financial instruments (continued)

2022	% change increase	Effect on profit before tax	Effect on equity	% change decrease	Effect on profit before tax	Effect on equity
Equity securities	10%	<u>12,425</u>	<u>9,319</u>	(10%)	<u>(12,425)</u>	<u>(9,319)</u>

### 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	80,390	-	-	80,390
Lease liabilities	14,014	-	-	14,014
Total non-derivatives	<u>94,404</u>	<u>-</u>	<u>-</u>	<u>94,404</u>
<b>2022</b>				
Trade and other payables	117,597	-	-	117,597
Lease liabilities	19,500	13,000	-	32,500
Total non-derivatives	<u>137,097</u>	<u>13,000</u>	<u>-</u>	<u>150,097</u>

# Notes to the Financial Statements (continued)

## Note 26. Fair value measurement

### Fair value hierarchy

The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2023</b>				
<i>Assets</i>				
Equity securities	144,557	-	-	144,557
Total assets	144,557	-	-	144,557
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2022</b>				
<i>Assets</i>				
Equity securities	124,249	-	-	124,249
Total assets	124,249	-	-	124,249

There were no transfers between levels during the financial year.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## Note 27. Key management personnel disclosures

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

Garry Edward Cook  
Rhyll Elizabeth Tozer  
Dale Josephine Towell  
Diana Mary Izzard  
Alexandra Rofe

Richard Elliot  
Shane Anthony Holness  
Andrew Trevor Callan  
Craig Hinder

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 28. Related party transactions

There were no transactions with related parties during the current and previous financial year.



## Notes to the Financial Statements (continued)

### Note 29. 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	6,400	6,200
<i>Other services</i>		
Taxation advice and tax compliance services	660	600
General advisory services	3,195	2,710
	<u>3,855</u>	<u>3,310</u>
	<u>10,255</u>	<u>9,510</u>

### Note 30. Reconciliation of profit after income tax to net cash provided by/(used in) operating activities

	2023 \$	2022 \$
Profit after income tax expense for the year	173,393	174,019
Adjustments for:		
Depreciation and amortisation	71,981	84,421
(Increase)/decrease in fair value of equity instruments designated at FVTPL	(11,572)	27,331
Net gain on disposal of non-current assets	(1,375)	-
Income reinvested in financial assets	(8,736)	(13,340)
Lease liabilities interest	1,248	2,077
Change in operating assets and liabilities:		
Increase in trade and other receivables	(223,273)	(34,091)
Increase in income tax refund due	(70,706)	-
Increase/(decrease) in trade and other payables	(37,207)	36,066
Increase/(decrease) in provision for income tax	(18,570)	684
Increase/(decrease) in deferred tax liabilities	50,947	(7,841)
Increase/(decrease) in employee benefits	(16,852)	4,554
Net cash provided by/(used in) operating activities	<u>(90,722)</u>	<u>273,880</u>

# Notes to the Financial Statements (continued)

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## Note 31. Earnings per share

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax	<u>173,393</u>	<u>174,019</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,320,419</u>	<u>1,320,419</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,320,419</u>	<u>1,320,419</u>

## Note 31. Earnings per share (continued)

	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13.13	13.18
Diluted earnings per share	13.13	13.18

### *Accounting policy for earnings per share*

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Palerang Financial Services Limited, by the weighted average number of ordinary shares outstanding during the financial year.

# Notes to the Financial Statements (continued)

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**Note 32. Commitments**

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

**Note 33. Contingencies**

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

**Note 34. 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

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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



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Garry Edward Cook  
Chair

20 September 2023

# Independent Auditor's Report

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Andrew Frewin Stewart  
61 Bull Street Bendigo VIC 3550  
ABN: 65 684 604 390  
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(03) 5443 0344

## Independent auditor's report to the Directors of Palerang Financial Services Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Palerang 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 Palerang Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

- 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
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

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



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## Other Information

The 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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# Independent Auditor's Report (continued)



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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: 20 September 2023

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

**Joshua Griffin**  
Lead Auditor



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 **Bendigo Bank**