

Annual Report

2024

Heathcote & District
Financial Services
Limited

Community Bank
Heathcote & District and Nagambie

ABN 44 112 376 986

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Contact Us

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ABN 44 112 376 986

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Share Registry:
AFS & Associates Bendigo

www.heathcotenagambie.community
www.facebook.com/communitybankheathcotedistrict/

Chair's report

As I mentioned in the Chair's Report last year, change can be very challenging but it can also create new opportunities and we have certainly seen a reinvigorated and refreshed team in our Community Bank staff and board which is remarkable in such a short time frame.

A key person responsible for that new energy in the business is our new Branch Manager Joey Mayes who started in December 2023. Joey is a local with strong family and community ties throughout Heathcote, Strathfieldsaye, Bendigo and Bridgewater. He graduated from La Trobe University with a Bachelor's degree in marketing and business management and had spent several years working in the Bendigo area and Bendigo Bank before being appointed as a Team Leader in a specialist customer retention program for Bendigo Bank. Joey's skills in leading and coaching others to achieve high quality results were on display from the minute he started in this role. He has recruited excellent employees and coached them through intensive training to ensure they deliver top class customer service. Joey is also an experienced and knowledgeable lender and has been proactive in managing the needs of our existing customers as well as undertaking business development. Joey's professional skills have been recognised at a regional and state level within Bendigo Bank where he has presented to colleagues on his innovative coaching approach and it is a pleasure to see him in action, engaging with the staff, customers and the community.

All of the staff across our Heathcote and Nagambie branches have worked really hard all year and have delivered on our ethos of providing exceptional customer service as well as achieving great results in their key performance indicators. Our customer campaigns are showing excellent results as well as ensuring we can provide an excellent range of products to our customers.

Of particular note are the following key achievements of our staff:

- Krystal Eickert recently attained 15 years of service with our Community Bank;
- Our Business Development Manager Arleen Hessey has shown great determination in achieving her targets for lending growth under very difficult economic conditions;
- Di Woosnam and Shelley McCoy were promoted into Customer Relationship Officer roles which is testament to their hard work and dedication; and
- we thank our out-going staff Christine Monson, Courtney Saunders, Kiara Brincat and Kerrie Henderson for their care for our customers and we wish them the best for their future endeavours.

I also want to thank our Regional Manager Leanne Martin for her ongoing support to myself as Chair, the directors, to Joey and the staff. She is a dynamic leader with a breadth of experience and has assisted our Community Bank to really flourish this year.

At the board level there has also been a 'changing of the guard' and we farewell, with our gratitude for their years of service, Andrew Campbell, Brad Todd and Reg Dickinson. All of you have been passionate advocates for your respective local communities of Redesdale/Mia Mia, Heathcote and Nagambie respectively, and you have volunteered countless hours over many years to ensure that our Community Bank understands the needs of our community and provides critical financial support to local sporting, school and community organisations.

We have welcomed some new members of the board this year including Julie Guettler and Bryan Linnell who have hit the ground running and who are already demonstrating their professional expertise, local knowledge and enthusiasm which makes my job so much easier. By the time of the AGM I expect to be able to introduce at least two new directors as well. We intend to continue annual recruitment

of directors so that we can ensure there is great diversity, representation and understanding of our local community to support our strategy and decision making.

Of course, the board could not function effectively without the expertise and contribution of our Company Secretary Michelle Baker and our Marketing and Community Engagement Officer Charleen Warburton who have both been pivotal in keeping the engine room of this business humming and in bringing great ideas to the board about how to strengthen our business and better support our community organisations.

As to the business at hand, I am very pleased to report that the hard work by Joey and our staff has resulted in a noticeable improvement in our business fundamentals and our loan and deposit book. We have successfully retained strong customer stability and also growth across our lending, term deposits and insurance products.

Ultimately, in regards to the year end results, whilst total revenue has softened somewhat given the current economic conditions, we remain profitable by a comfortable margin and we have declared a profit after tax of \$159,119 – about 60% higher than last year. This year we have paid dividends of 8 cents per share to our loyal shareholders, a significant increase on 5.5 cents per share in FY2023.

That increased profit is largely explained by our decision this year to retain some additional funds on our balance sheet rather than to make such significant contributions to the Community Enterprise Foundation (CEF) as we have in recent years. We have substantial funds available to draw on in future through the CEF for eligible community grants and so this year we elected to immediately apply funds month to month to support community organisations that may not meet the strict eligibility criteria of the CEF. This year we distributed \$94,994 in sponsorships and scholarships as well as \$60,395 in eligible grants from the CEF.

In the forthcoming year, we look forward to continued stability in our business and customer base and further growth achieved through the efforts of our amazing staff at Heathcote and Nagambie branches.

The board is continually looking for great opportunities and projects in our community to support and we encourage anyone with ideas or projects to contact our Community Engagement Officer Charleen Warburton (marketing@heathcotenagambie.community).

Finally, we thank our loyal shareholders and customers for their ongoing support of the Community Bank. All of our directors and staff believe it is a great privilege to be of service in the wonderful community of Heathcote, Nagambie and surrounds.

Natalie Sheridan-Smith
Chair

Manager's report

I am pleased to present Community Bank Heathcote & District Branch Manager's Report for the year ending 30 June 2024.

The 2024 financial year was a successful year, but it was difficult to predict how the business would perform with much change with our retail branch team and a slowing residential lending market. A new Business Development Manager (Arleen Hessey) to write home loans commenced in October 2023 & a new Branch Manager (myself) started December 2023. Three new Customer Service Officers would also join the teams at Community Bank Heathcote & District and Bendigo Bank Nagambie throughout the financial year.

After being behind on target to reach lending budget growth -\$2.2 million at Heathcote and -\$78K at Nagambie, as at December 2023, it was very pleasing to share that Heathcote achieved a lending growth of \$2.33 million, 55.34% above target and Nagambie also achieved a lending growth of \$2.33 million, 16.68% above target. Our customer net growth at Heathcote was 2.72% and was 26.74% at Nagambie, we achieved our wealth targets and were very close to insurance targets for the year.

I am thrilled to share that through active business development and lending coaching, we have successfully hit our lending budget growth target. Additionally, the team's dedication to implementing new ways of working has significantly improved our operating rhythm, driving our strategy forward with increased efficiency.

I wanted to extend my heartfelt appreciation to our former Branch Manager, Teri Johnson, for her many dedicated years of service, throughout a number of different roles at the Heathcote and Nagambie branches.

I would also like to thank the esteemed Heathcote & District Financial Services Limited board for warmly embracing me as the Branch Manager. Your commitment and guidance have

been instrumental in our success and have made it seemingly effortless to move into the role as Branch Manager and implement new coaching action plans.

Through consistent coaching & effective leadership, I am proud of what has been achieved in my first 9-10 months in the role, with recruiting and training some great new staff members, creating a highly performing team who are there to support customer needs and proactively seeking new business within our community & surrounds.

To the staff at Heathcote and Nagambie, I would like to personally thank Arleen Hessey, Shelly McCoy, Zavia Roberts, Krystal Eickert, Di Woosnam, Kerrie Henderson and past staff members Christine Monson, Kiara Brincat & Courtney Saunders for their passion and commitment to our customers and community.

A special mention to Krystal Eickert for achieving 15 years of service with Bendigo Bank, all of which have been at the Heathcote branch. Krystal is a real asset to the branch and her efforts in branch don't go unnoticed.

I am truly grateful for the opportunity to lead such a talented team and look forward to our continued collaboration in achieving our goals and fostering further success. I am very excited & enthusiastic to continue leading this team into the financial year 2025.

To the local shareholders and customers, on behalf of the Community Bank Heathcote & District and Bendigo Bank Nagambie, thank you for continuing to play an essential role in supporting the Community Banks that support our communities. I look forward to seeing us grow together and make more positive impact into the future.

Joseph Mayes
Chair

Moorabool Community Enterprises Limited

ABN: 46 148 907 591

Financial Report

For the year ended
30 June 2024

Directors' Report

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2024.

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:

Natalie Therese Sheridan-Smith Chair

Natalie's education includes a Bachelor of Laws (2002); Graduate Diploma of Legal Practice (2002); Graduate of the Australian Institute of Company Directors (2000). Registrations: "Australian lawyer" holding a current practicing certificate since April 2002. Profession: Barrister specialising in court litigation in the areas of State and Federal criminal law, regulatory compliance, child protection. Other leadership/board roles: President of the Children's Court Bar Association (since 2021); non-executive director of Alexandra District Health (since 2022); previously non-executive director of Heathcote Health (2019-2021) and previously independent member of Heathcote Health Finance Audit and Risk sub-committee (2022-2023).

Peter Catherwood Young Treasurer

Peter is currently Owner and Winemaker at Silver Spoon Estate, having formerly been Managing Director of an IT software and services company. He is currently President of Heathcote Tourism and Development. Peter's qualifications include an Honours Degree in Science, Master of Business Administration and Master of Wine Technology and Viticulture.

Julie Maree Guettler Non-executive director (appointed 20 November 2023)

Julie was previously the Head of Compliance at BankVic. She is also a Fellow of The Association of Superannuation Funds of Australia (AFSA) and a Certified Risk & Compliance Professional (GRC Institute). Julie holds a Diploma of Superannuation Management and Diploma of Financial Services (Macquarie University), and an Advanced Diploma of Financial Services.

Bryan Charles Linnell Non-executive director (appointed 12 December 2023)

Bryan is currently Part Owner of Heathcote Post Office and Newsagency working part time mail and parcel sorting as well as account and compliance management. Bryan is previously an eager, passionate and experienced Logistics, Railway Operations, Management, Customer Service and Account Management Specialist in both Government (Victorian Railways) and Private Rail Companies (National Rail and Pacific National).

Reginald Dickinson Non-executive director (appointed 12 December 2023, resigned 23 July 2024)

Andrew Neil Campbell Non-executive director (resigned 8 July 2024)

Registered Wool Classer and Officer Redesdale CFA.

Bradley Adam Todd Non-executive director (resigned 15 December 2023)

Licensed Estate Agent, Bachelor of Business (La Trobe) with 12 years Real Estate Industry experience. Real Estate Institute of Victoria (REIV) member.

Company Secretary

The company secretary is Michelle Baker. Michelle was appointed to the position of company secretary on 4 November 2020.

Michelle is an experienced company secretary with many years working within the Community Bank network. Michelle holds a Bachelor of Arts, Advanced Diploma in Business and has completed extensive training through the Governance Institute of Australia.

Directors' report (continued)

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 \$159,119 (30 June 2023: \$99,889). Operations have continued to perform in line with expectations.

Dividends

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

	2024 \$	2023 \$
Fully franked dividend of 8 cents per share (2023: 5.5 cents)	47,593	32,720

Significant changes in the state of affairs

On 1 July 2023, Bendigo Bank updated the Funds Transfer Pricing (FTP) base rate on certain deposits which has reduced the income earned on these products.

There were no other 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 2024 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

No matter, circumstance or likely development in operations has arisen during or since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Environmental regulation

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

Meetings of directors

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

	Board	
	Eligible	Attended
Natalie Therese Sheridan-Smith	11	11
Andrew Neil Campbell	11	9
Peter Catherwood Young	11	9
Julie Maree Guettler	7	7
Bryan Charles Linnell	6	3
Reginald Dickinson	6	3
Bradley Adam Todd	6	2

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 23 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' report (continued)

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Andrew Neil Campbell	-	-	-
Peter Catherwood Young	-	-	-
Natalie Therese Sheridan-Smith	-	-	-
Julie Maree Guettler	-	-	-
Bryan Charles Linnell	-	-	-
Reginald Dickinson	-	-	-
Bradley Adam Todd	-	-	-

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of directors and officers

The company has indemnified all directors and management in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or management 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.

Directors' report (continued)

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 24 to the accounts.

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

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

Auditor's independence declaration

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

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



Natalie Therese Sheridan-Smith
Chair

4 September 2024

Auditor's independence declaration



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

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

As lead auditor for the audit of Heathcote & District Financial Services Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 4 September 2024



Joshua Griffin
Lead Auditor

Financial statements

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue from contracts with customers	7	1,247,041	1,437,899
Other revenue		3,182	45,000
Finance revenue		16,350	7,804
Total revenue		<u>1,266,573</u>	<u>1,490,703</u>
Employee benefits expense	8	(582,424)	(472,946)
Advertising and marketing costs		(54,319)	(23,534)
Occupancy and associated costs		(46,230)	(38,176)
System costs		(32,835)	(26,933)
Depreciation and amortisation expense	8	(85,600)	(83,119)
Finance costs	8	(21,558)	(23,137)
General administration expenses		(138,249)	(138,147)
Loss on disposal of assets		-	(316)
Total expenses before community contributions and income tax expense		<u>(961,215)</u>	<u>(806,308)</u>
Profit before community contributions and income tax expense		305,358	684,395
Charitable donations, sponsorships and grants	8	(94,884)	(550,914)
Profit before income tax expense		210,474	133,481
Income tax expense	9	(51,355)	(33,592)
Profit after income tax expense for the year		159,119	99,889
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>159,119</u>	<u>99,889</u>
		Cents	Cents
Basic earnings per share	26	26.75	16.79
Diluted earnings per share	26	26.75	16.79

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

Financial statements (continued)

Statement of financial position

As at June 30 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	10	334,143	306,520
Trade and other receivables	11	69,461	86,633
Investments	12	331,250	331,250
Total current assets		<u>734,854</u>	<u>724,403</u>
Non-current assets			
Property, plant and equipment	13	95,828	86,220
Right-of-use assets	14	433,922	480,830
Intangible assets	15	23,374	48,886
Deferred tax assets	9	17,485	9,024
Total non-current assets		<u>570,609</u>	<u>624,960</u>
Total assets		<u>1,305,463</u>	<u>1,349,363</u>
Liabilities			
Current liabilities			
Trade and other payables	16	95,028	232,107
Lease liabilities	17	50,824	30,274
Current tax liabilities	9	33,357	28,198
Employee benefits		9,903	3,481
Total current liabilities		<u>189,112</u>	<u>294,060</u>
Non-current liabilities			
Lease liabilities	17	425,205	478,002
Provision		45,482	43,163
Total non-current liabilities		<u>470,687</u>	<u>521,165</u>
Total liabilities		<u>659,799</u>	<u>815,225</u>
Net assets		<u>645,664</u>	<u>534,138</u>
Equity			
Issued capital	18	558,357	558,357
Retained earnings/(accumulated losses)		87,307	(24,219)
Total equity		<u>645,664</u>	<u>534,138</u>

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

Financial statements (continued)

Statement of changes in equity

For the year ended 30 June 2024

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2022		558,357	(91,388)	466,969
Profit after income tax expense		-	99,889	99,889
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	99,889	99,889
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	20	-	(32,720)	(32,720)
Balance at 30 June 2023		<u>558,357</u>	<u>(24,219)</u>	<u>534,138</u>
Balance at 1 July 2023		558,357	(24,219)	534,138
Profit after income tax expense		-	159,119	159,119
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	159,119	159,119
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	20	-	(47,593)	(47,593)
Balance at 30 June 2024		<u>558,357</u>	<u>87,307</u>	<u>645,664</u>

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

Financial statements (continued)

Statement of cash flows

For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,387,648	1,598,119
Payments to suppliers and employees (inclusive of GST)		(1,173,110)	(1,239,579)
Interest received		16,922	7,232
Income taxes paid		(54,657)	(2,170)
Net cash provided by operating activities	25	<u>176,803</u>	<u>363,602</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(25,657)	(19,910)
Payments for intangible assets		(25,498)	(25,498)
Net cash used in investing activities		<u>(51,155)</u>	<u>(45,408)</u>
Cash flows from financing activities			
Interest and other finance costs paid		(19,616)	(21,266)
Dividends paid	20	(47,593)	(32,720)
Repayment of lease liabilities		(30,816)	(27,963)
Net cash used in financing activities		<u>(98,025)</u>	<u>(81,949)</u>
Net increase in cash and cash equivalents		27,623	236,245
Cash and cash equivalents at the beginning of the financial year		<u>306,520</u>	<u>70,275</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>334,143</u></u>	<u><u>306,520</u></u>

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

Notes to the financial statements

For the year ended 30 June 2024

Note 1. Reporting entity

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

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

Registered office	Principal place of business
Shop 2, 119 High Street Heathcote VIC 3523	Shop 2, 119 High Street Heathcote VIC 3523
	1/263 High Street Nagambie VIC 3608

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 directors have a reasonable expectation that the company has adequate resources to pay its debts as and when they fall due for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 4 September 2024. The directors have the power to amend and reissue the financial statements.

Note 3. Material accounting policy information

The accounting policies that are material to the company are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Adoption of new and revised accounting standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current financial year. A description of the impact of new or amended Accounting Standards and Interpretations that have had a material impact on the company during the current financial year is outlined below:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates is mandatory for annual reporting periods beginning on or after 1 January 2023 and was adopted by the company in the preparation of the 30 June 2024 financial statements.

AASB 2021-2 includes amendments to AASB 101 *Presentation of Financial Statements*, requiring the company to disclose material accounting policy information in its financial statements rather than significant accounting policies which was required in previous financial years. Accounting policy information is material if it, when considered with other information, could reasonably be expected to influence decisions of primary users based on the financial statements.

Adoption of AASB 2021-2 has had no impact on the numerical information disclosed in the company's financial statements. Rather, adoption has required the company to remove significant accounting policy information from the notes to the financial statements that is not considered material.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 3. Material accounting policy information (continued)

Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the company has been performed. No new or amended Accounting Standards or Interpretations that are not mandatory have been early adopted, nor are they expected to have a material impact on the company in future financial years.

Current and non-current classification

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

Impairment of 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The directors continually evaluate their judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

The directors base their 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.

Judgements

Timing of revenue recognition associated with trail commission

The company receives trailing commission from Bendigo Bank for products and services sold. Ongoing trailing commission payments are recognised on a monthly basis when earned as there is insufficient detail readily available to estimate the most likely amount of revenue without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission revenue is outside the control of the company.

Allowance for expected credit losses on trade and other receivables

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The company has not recognised an allowance for expected credit losses in relation to trade and other receivables for the following reasons:

- 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.
- The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit. The directors are not aware of any such non-compliance at balance date.
- 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 has not experienced any instances of default in relation to receivables owed to the company from Bendigo Bank.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

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

Impairment of non-financial assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity 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.

The company includes extension options applicable to the lease of branch premises in its calculations of both the right-of-use asset and lease liability except where the company is reasonably certain it will not 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.

Estimates and assumptions

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.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, which is generally the case for the company's lease agreements, 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. This 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

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 2025.

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

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 5. Economic dependency (continued)

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

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

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

Note 6. Change to comparative figures

Classification of term deposits

During the year the directors reviewed the requirements of AASB 107 *Statement of Cash Flows* and noted term deposits normally qualify as a cash and cash equivalent only when they have initial investment periods of three months or less. In previous financial years the company classified all term deposits as cash and cash equivalents in the preparation of the even if they had initial investment periods greater than three months.

In the preparation of the financial statements for the current financial year, the directors updated its accounting policy to align to the requirements of AASB 107, restating comparative figures to reclassify term deposits with initial investment periods greater than three months as current investments instead of cash and cash equivalents in the Statement of financial position.

The change in classification had the following impacts on comparative figures:

- Cash and cash equivalents decreased and investments increased by \$331,250 at 30 June 2023 as reported in the Statement of financial position.
- Opening and closing cash balances were reduced to exclude term deposits with initial investment periods greater than three months as reported in the Statement of cash flows.
- Investments in and redemptions of term deposits with initial investment periods greater than three months are now classified within investment activities as reported in the Statement of cash flows.

The change in classification had no impact on the company's net profit or net asset position.

Calculation of right-of-use asset cost and accumulated depreciation

On adoption of AASB 16 *Leases* on 1 July 2019, the company previously recognised the right-of-use asset cost and accumulated depreciation on a gross basis from the commencement of the lease as if AASB 16 had always been applied by the company.

During the financial year the company recorded a change in accounting policy, whereby it elected to recognise the right-of-use asset net of accumulated depreciation on initial adoption of AASB 16. The change in accounting policy had no impact on the company's net profit or net asset position, however it did reduce the company's right-of-use asset cost and accumulated depreciation at 30 June 2023 by \$231,620.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 7. Revenue from contracts with customers

	2024 \$	2023 \$
Margin income	1,084,212	1,282,120
Fee income	62,685	63,071
Commission income	100,144	92,708
	<u>1,247,041</u>	<u>1,437,899</u>

Accounting policy for revenue from contracts with customers

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

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

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement, as follows:

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

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

Revenue calculation

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

Margin income

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

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

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

Commission income

Commission income is generated from the sale of products and services. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation. Refer to note 4 for further information regarding key judgements applied by the directors in relation to the timing of revenue recognition from trail commission.

Fee income

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

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 7. Revenue from contracts with customers (continued)

Core banking products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to change financial return

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

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

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

Note 8. Expenses

Employee benefits expense

	2024 \$	2023 \$
Wages and salaries	480,211	381,055
Non-cash benefits	3,325	6,687
Superannuation contributions	52,680	41,698
Expenses related to long service leave	3,084	4,170
Other expenses	43,124	39,336
	<u>582,424</u>	<u>472,946</u>

Depreciation and amortisation expense

	2024 \$	2023 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	6,462	5,168
Plant and equipment	2,368	1,505
Motor vehicles	6,616	6,968
Computer equipment	603	-
	<u>16,049</u>	<u>13,641</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	44,039	43,663
<i>Amortisation of intangible assets</i>		
Franchise fee	4,252	4,302
Franchise renewal fee	21,260	21,513
	<u>25,512</u>	<u>25,815</u>
	<u>85,600</u>	<u>83,119</u>

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 8. Expenses (continued)

Finance costs

	2024 \$	2023 \$
Lease interest expense	19,616	21,266
Unwinding of make good provision	1,942	1,871
	<u>21,558</u>	<u>23,137</u>

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

Leases recognition exemption

	2024 \$	2023 \$
Expenses relating to low-value leases	<u>11,041</u>	<u>9,038</u>

Charitable donations, sponsorships and grants

	2024 \$	2023 \$
Direct donation, sponsorship and grant payments	94,884	37,914
Contribution to the Community Enterprise Foundation™	-	513,000
	<u>94,884</u>	<u>550,914</u>

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

The funds contributed to the Community Enterprise Foundation™ (CEF) are held by them and 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.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 9. Income tax

	2024 \$	2023 \$
<i>Income tax expense</i>		
Current tax	61,595	37,300
Movement in deferred tax	(8,461)	(3,708)
Under/over adjustment	(1,779)	-
	<u>51,355</u>	<u>33,592</u>
Aggregate income tax expense	<u>51,355</u>	<u>33,592</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	210,474	133,481
Tax at the statutory tax rate of 25%	52,619	33,370
Tax effect of:		
Non-deductible expenses	515	222
	53,134	33,592
Under/over adjustment	(1,779)	-
Income tax expense	<u>51,355</u>	<u>33,592</u>
	<u>2024 \$</u>	<u>2023 \$</u>
<i>Deferred tax assets/(liabilities)</i>		
Employee benefits	8,601	871
Provision for lease make good	11,370	10,791
Accrued expenses	1,225	1,050
Income accruals	-	(143)
Lease liabilities	119,007	127,069
Right-of-use assets	(108,481)	(120,208)
Bad debt provisions	-	6,125
Property, plant and equipment	(14,237)	(16,531)
Deferred tax asset	<u>17,485</u>	<u>9,024</u>
	<u>2024 \$</u>	<u>2023 \$</u>
Provision for income tax	<u>33,357</u>	<u>28,198</u>

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

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 10. Cash and cash equivalents

	2024 \$	2023 \$
Cash at bank and on hand	334,143	306,520

Note 11. Trade and other receivables

	2024 \$	2023 \$
Trade receivables	58,977	76,423
Accrued income	-	572
Prepayments	10,484	9,638
	<u>10,484</u>	<u>10,210</u>
	<u>69,461</u>	<u>86,633</u>

Accounting policy for trade and other receivables

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

Note 12. Investments

	2024 \$	2023 \$
Current assets		
Term deposits	331,250	331,250

Note 13. Property, plant and equipment

	2024 \$	2023 \$
Leasehold improvements - at cost	138,605	122,258
Less: Accumulated depreciation	(76,260)	(73,111)
	<u>62,345</u>	<u>49,147</u>
Plant and equipment - at cost	72,678	67,887
Less: Accumulated depreciation	(59,816)	(57,448)
	<u>12,862</u>	<u>10,439</u>
Motor vehicles - at cost	55,750	55,750
Less: Accumulated depreciation	(35,732)	(29,116)
	<u>20,018</u>	<u>26,634</u>
Computer equipment - at cost	1,206	-
Less: Accumulated depreciation	(603)	-
	<u>603</u>	<u>-</u>
	<u>95,828</u>	<u>86,220</u>

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 13. Property, plant and equipment (continued)

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

	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Computer equipment \$	Total \$
Balance at 1 July 2022	34,721	11,944	33,602	-	80,267
Additions	19,910	-	-	-	19,910
Disposals	(316)	-	-	-	(316)
Depreciation	(5,168)	(1,505)	(6,968)	-	(13,641)
Balance at 30 June 2023	49,147	10,439	26,634	-	86,220
Additions	19,660	4,791	-	1,206	25,657
Depreciation	(6,462)	(2,368)	(6,616)	(603)	(16,049)
Balance at 30 June 2024	<u>62,345</u>	<u>12,862</u>	<u>20,018</u>	<u>603</u>	<u>95,828</u>

Accounting policy for property, plant and equipment

Property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold improvements	1 to 20 years
Plant and equipment	1 to 40 years
Motor vehicles	8 years
Computer equipment	1 year

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.

Note 14. Right-of-use assets

	2024 \$	2023 \$
Land and buildings - right-of-use	657,667	660,536
Less: Accumulated depreciation	(223,745)	(179,706)
	<u>433,922</u>	<u>480,830</u>

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 14. Right-of-use assets (continued)

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

	Land and buildings \$
Balance at 1 July 2022	524,514
Remeasurement adjustments	(21)
Depreciation expense	<u>(43,663)</u>
Balance at 30 June 2023	480,830
Remeasurement adjustments	(2,869)
Depreciation expense	<u>(44,039)</u>
Balance at 30 June 2024	<u><u>433,922</u></u>

Accounting policy for right-of-use assets

Right-of-use assets are 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.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease. Right-of-use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

Refer to note 17 for more information on lease arrangements.

Note 15. Intangible assets

	2024 \$	2023 \$
Franchise fee	110,223	110,223
Less: Accumulated amortisation	<u>(106,327)</u>	<u>(102,075)</u>
	3,896	8,148
Franchise renewal fee	221,082	221,082
Less: Accumulated amortisation	<u>(201,604)</u>	<u>(180,344)</u>
	19,478	40,738
	<u><u>23,374</u></u>	<u><u>48,886</u></u>

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

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2022	12,450	62,251	74,701
Amortisation expense	<u>(4,302)</u>	<u>(21,513)</u>	<u>(25,815)</u>
Balance at 30 June 2023	8,148	40,738	48,886
Amortisation expense	<u>(4,252)</u>	<u>(21,260)</u>	<u>(25,512)</u>
Balance at 30 June 2024	<u><u>3,896</u></u>	<u><u>19,478</u></u>	<u><u>23,374</u></u>

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 15. Intangible assets (continued)

Accounting policy for intangible assets

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

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

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

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

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

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

Note 16. Trade and other payables

	2024 \$	2023 \$
<i>Current liabilities</i>		
Trade payables	5,505	194,185
Other payables and accruals	<u>89,523</u>	<u>37,922</u>
	<u><u>95,028</u></u>	<u><u>232,107</u></u>

	2024 \$	2023 \$
<i>Financial liabilities at amortised cost classified as trade and other payable</i>		
Total trade and other payables	95,028	232,107
Less other payables and accruals (net GST (payable)/receivable to the ATO)	<u>(17,622)</u>	<u>28,773</u>
	<u><u>77,406</u></u>	<u><u>260,880</u></u>

Note 17. Lease liabilities

	2024 \$	2023 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	<u>50,824</u>	<u>30,274</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	<u><u>425,205</u></u>	<u><u>478,002</u></u>

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 17. Lease liabilities (continued)

Reconciliation of lease liabilities

	2024	2023
	\$	\$
Opening balance	508,276	536,260
Remeasurement adjustments	(1,431)	(21)
Lease interest expense	19,616	21,266
Lease payments - total cash outflow	(50,432)	(49,229)
	<u>476,029</u>	<u>508,276</u>

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially measured at the present value of the lease payments to be made over the term of the lease, including renewal options if the company is reasonably certain to exercise such options, discounted using the company's incremental borrowing rate.

The company has applied the following accounting policy choices in relation to lease liabilities:

- The company has elected not to separate lease and non-lease components when calculating the lease liability for property leases.
- The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and low-value assets, which include the company's lease of information technology equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Heathcote Branch	3.54%	5 years	2 x 5 years	Yes	July 2035
Nagambie Branch	5.39%	5 years	1 x 5 years	Yes	March 2032

Note 18. Issued capital

	2024	2023	2024	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	594,910	594,910	594,910	594,910
Less: Equity raising costs	-	-	(36,553)	(36,553)
	<u>594,910</u>	<u>594,910</u>	<u>558,357</u>	<u>558,357</u>

Accounting policy for issued capital

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

Rights attached to issued capital

Ordinary shares

Voting rights

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

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 18. Issued capital (continued)

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Note 19. 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.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 19. Capital management (continued)

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

The distribution limit is the greater of:

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

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

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

Note 20. 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.

	2024 \$	2023 \$
Fully franked dividend of 8 cents per share (2023: 5.5 cents)	<u>47,593</u>	<u>32,720</u>

Franking credits

	2024 \$	2023 \$
Franking account balance at the beginning of the financial year	52,474	61,211
Franking credits (debits) arising from income taxes paid (refunded)	54,657	2,170
Franking debits from the payment of franked distributions	<u>(15,864)</u>	<u>(10,907)</u>
	91,267	52,474

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

Balance at the end of the financial year	91,267	52,474
Franking credits (debits) that will arise from payment (refund) of income tax	33,357	28,198
Franking credits available for future reporting periods	<u>124,624</u>	<u>80,672</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%.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 21. Financial risk management

The company's financial instruments include trade receivables and payables, cash and cash equivalents, investments and lease liabilities. The company does not have any derivatives.

The directors are responsible for monitoring and managing the financial risk exposure of the company, to which end it monitors the financial risk management policies and exposures and approves financial transactions within the scope of its authority.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 21. Financial risk management (continued)

The directors have identified that the only significant financial risk exposures of the consolidated entity are liquidity and market (price) risk. Other financial risks are not significant to the company due to the following factors:

- The company has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars.
- 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.
- The company has no direct exposure to movements in commodity prices.
- The company's interest-bearing instruments are held at amortised cost which have fair values that approximate their carrying value since all cash and payables have maturity dates within 12 months.
- The company has no borrowings.

Further details regarding the categories of financial instruments held by the company that hold such exposure are detailed below.

	2024 \$	2023 \$
Financial assets at amortised cost		
Trade and other receivables (note 11)	58,977	76,995
Cash and cash equivalents (note 10)	334,143	306,520
Investments (note 12)	331,250	331,250
	<u>724,370</u>	<u>714,765</u>
Financial liabilities at amortised cost		
Trade and other payables (note 16)	77,406	260,880
Lease liabilities (note 17)	476,029	508,276
	<u>553,435</u>	<u>769,156</u>

At balance date, the fair value of financial instruments approximated their carrying values.

Accounting policy for financial instruments

Financial assets

Classification

The company classifies its financial assets at amortised cost.

Financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

The company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in term deposits.

Derecognition

A financial asset is derecognised when the company's contractual right to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Impairment of trade and other receivables

Impairment of trade receivables is determined using the simplified approach which uses an estimation of lifetime expected credit losses. The company has not recognised an allowance for expected credit losses in relation to trade and other receivables. Refer to note 4 for further information.

Financial liabilities

Classification

The company classifies its financial liabilities at amortised cost.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 21. Financial risk management (continued)

Derecognition

A financial liability is derecognised then it is extinguished, cancelled or expires.

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.

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 \$334,143 at 30 June 2024 (2023: \$306,520) and term deposits of \$331,250 at 30 June 2024 (2023: \$331,250).

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.

The following are the company's 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 \$
2024				
Trade and other payables	77,406	-	-	77,406
Lease liabilities	51,806	222,184	305,842	579,832
Total non-derivatives	129,212	222,184	305,842	657,238
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Trade and other payables	260,880	-	-	260,880
Lease liabilities	50,391	217,203	369,614	637,208
Total non-derivatives	311,271	217,203	369,614	898,088

Note 22. Key management personnel disclosures

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

Natalie Therese Sheridan-Smith	Bryan Charles Linnell
Andrew Neil Campbell	Reginald Dickinson
Peter Catherwood Young	Bradley Adam Todd
Julie Maree Guettler	

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 23. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 22.

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 23. Related party transactions (continued)

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions

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

Transactions with related parties

The following transactions occurred with related parties:

	2024 \$	2023 \$
One of the directors owns a Winery where a board meeting and dinner was held, The total benefit received was:	-	465
During the year a sponsorship was paid to Heathcote Tourism & Development Inc, of which a director is the President. The total benefit received was:	10,000	-

Note 24. 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:

	2024 \$	2023 \$
<i>Audit services</i>		
Audit or review of the financial statements	8,030	5,400
<i>Other services</i>		
Taxation advice and tax compliance services	2,650	2,950
General advisory services	2,940	9,475
Share registry services	5,175	4,431
	10,765	16,856
	18,795	22,256

Notes to the Financial statements (continued)

For the year ended 30 June 2024

Note 25. Reconciliation of profit after income tax to net cash provided by operating activities

	2024 \$	2023 \$
Profit after income tax expense for the year	159,119	99,889
Adjustments for:		
Depreciation and amortisation	85,598	83,120
Lease liabilities interest	19,616	21,266
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	17,172	(33,625)
Decrease in income tax refund due	-	6,932
Increase in deferred tax assets	(8,461)	(3,708)
Increase/(decrease) in trade and other payables	(110,380)	156,178
Increase in provision for income tax	5,159	28,198
Increase in employee benefits	6,422	3,481
Increase in other provisions	2,558	1,871
Net cash provided by operating activities	<u>176,803</u>	<u>363,602</u>

Note 26. Earnings per share

	2024 \$	2023 \$
Profit after income tax	<u>159,119</u>	<u>99,889</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>594,910</u>	<u>594,910</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>594,910</u>	<u>594,910</u>
	Cents	Cents
Basic earnings per share	26.75	16.79
Diluted earnings per share	26.75	16.79

Accounting policy for earnings per share

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

Note 27. Commitments

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

Note 28. Contingencies

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

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

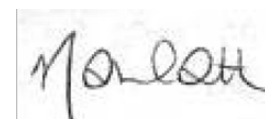
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the company does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, a consolidated entity disclosure statement has not been included as section 295(3A)(a) of the *Corporations Act 2001* does not apply to the entity.

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



Natalie Therese Sheridan-Smith
Chair

4 September 2024

Independent audit report



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

Independent auditor's report to the Directors of Heathcote & District Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Heathcote & District Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2024
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity for the year then ended
- Statement of cash flows for the year then ended
- Notes to the financial statements, including material accounting policies
- The directors' declaration.

In our opinion, the accompanying financial report of Heathcote & District 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 2024 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.

Independent audit report (continued)



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

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

Auditor's responsibilities for the Audit of the Financial Report

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

Independent audit report (continued)



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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 4 September 2024

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

Joshua Griffin
Lead Auditor

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Share Registry:
AFS & Associates Bendigo

www.heathcotenagambie.community
www.facebook.com/communitybankheathcotedistrict/

 **Bendigo Bank**