

Annual Report 2023

Sarina and District
Community Financial
Services Limited

Community Bank
Sarina

ABN 28 112 407 182



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Chairman's report

For year ending 30 June 2023

Purpose

Our Company, Sarina and District Community Financial Services Limited, and banking business – Community Bank Sarina, are founded on the establishment of valuable community relationships and these relationships continue to develop between the Shareholders, Board, Branch Manager, our banking team, our customers, and the wider community. We continue to improve and expand our business through maximising these relationships. The Board and branch activities are focussed on connecting with, and servicing, our customers, supporting and developing the capacity of our community by working with community organisations, sporting organisations, local schools, and CQUniversity. This approach achieves effective results for the business, customers, shareholders, and the wider community. Community Bank Sarina in our franchise arrangement with the Bendigo and Adelaide Bank strives to achieve the bank's vision to be *Australia's Bank of Choice*. We aim to achieve this by helping our customers and the community in which we operate to realise their goals. Our purpose is to *feed into the community's prosperity - not off it*. We endeavour to create social impact through local initiatives that enhance the liveability of our community. This approach also enables us to increase our brand awareness and build our reputation in the community.

Due to a very tight labour market, we have experienced general staffing shortages across our region. At the bank we have also experienced difficulties in attracting new employees. The staff shortages places pressure on our existing team and the Board appreciates the team's continued efforts to maintain a high level of customer service.

During the past year Bendigo and Adelaide Bank have undertaken a number of changes and developed strategies to enhance the Community Bank network's performance and ensure our Community Bank is in a strong competitive position. I attend bi-monthly meetings with the State Manager, Bendigo and Adelaide Bank staff along with fellow Community Bank chairs throughout the state. This enables Community Bank companies to stay up to date with the banking business. For the first time since COVID, we were able to come together at the State Connect forum held in Brisbane earlier this year. Bendigo and Adelaide Bank continues to implement the national marketing plan and Maree Franettovich as the Community Bank National Council represents all Community Banks in Central and North Queensland at these meetings. This national approach has enabled a more effective marketing spend and increased coverage in the marketplace. At a local level, our Company undertakes a complementary local marketing campaign through social media and regular advertising and stories in the Mackay Whitsunday Life paper.

I would like to congratulate our Branch Manager, Charmaine Matsen, who has successfully led the team over the past 12 months. Under Charmaine's leadership, the team has continued to focus on improving the business and meeting customer expectations. The benefits of maintaining a consistent team approach has enabled the business to grow. Charmaine's team has been working diligently to deliver positive results in what has been a particularly challenging financial market.

Performance

This year has seen an increase in our overall profit. We have continued to contribute a significant amount of funds to the Community Enterprise Foundation™. These contributions enable the Board to execute the Community Engagement Program and reduce our tax liabilities. The team have been working diligently to try and counteract the discharges of loans with the writing of new business. Overall, our lending is down slightly on last year and this is mostly due to a high number of discharges; however we did experience a significant uptake in deposits resulting in stable business of \$178 million.

It is pleasing to report our Company's total revenue has increased to \$1,781,181 from \$1,445,217 last year, realising a profit before tax of \$262,805 in this financial year, which is a significant increase from last year's, \$184,633.

Chairman's report (continued)

The Board has been proactive ensuring that we continue to meet the Community Engagement Program objectives: building the capacity of local community organisations, strengthening relationships between the bank, community organisations and providing a range of community grants, sponsorship and donations that provide a direct benefit to Sarina and district community. We have invested \$300,369 in charitable donations, community projects, direct sponsorships and activation, marquee packages and associated marketing during the past 12 months.

The Directors and banking team have been working diligently to deliver on our three-year strategic plan which was developed 2021. The strategic plan consists of six focus areas that include: Marketing and Promotion led by Maree Franettovich and Rainee Shepperson, Growth and Opportunities led by Nicholas McDougall, Community Engagement led by Karen May and Ted Malone, Shareholder Engagement led by Karen May and Ted Malone, Governance led by Ann Fordyce and Customer Service led by Charmaine Matsen. The Board has continued to operate with the Business and Community Engagement sub-committee and the Finance and Audit sub-committee. Having specific task sub-committees has enabled the Board to conduct business in a timely and efficient manner. The Board continues to monitor and review our risk register. In the next financial year, the Board will be undertaking a business performance review working with the Business Performance team from Bendigo and Adelaide Bank. This will then enable us to develop a new strategic plan for the business. Exploring growth opportunities and developing action plans which enable that growth to be realised is a priority for the business.

Connection

The Board has continued to invest in the Scholarship Program in association with CQUniversity across a number of disciplines – Accounting, Agriculture, Business, Digital Media, Environmental Science, Information Technology, Law, and Science (CU18). During the past 12 months our scholarship Ambassador, Claudine Asuncion, graduated with a Bachelor of Accounting. Last year we welcomed Taya Murray, who is studying a Bachelor of Science, Jaymi Cook, who is studying a Bachelor of Digital Media, and Lucy Hamblin, who is studying a Bachelor of Agriculture, as our scholarship holders. This year we welcomed our new scholarship holder, Chloe Paul, who is studying a Bachelor of Agriculture.

We continue to offer, in association with CQUniversity, our Vocational Education & Training (Apprenticeship) Scholarship to enable two apprentices to be awarded. Congratulations to Lauren Head, our first vocational education and training scholarship recipient, who completed her hairdressing apprenticeship in 2022. Last year we welcomed Andrew Vrbanic, who is studying Certificate III in Plumbing, and Jordan Patullo, who is studying Certificate III in Engineering – Fabrication. The successful apprentices this year are Seumus Andrews, who is studying Certificate III in Parks and Gardens, and Brooke Vella, who is undertaking a Certificate III in Electrotechnology (Electrician).

We continue to work with the Sarina State High School, now offering two scholarships for students commencing grade eleven. These scholarships are for a two-year duration. This year's scholarships were awarded to Zali Hooper and Chelsea Trusz, and last year's recipients, Brock Raward and Logan Bryant, continue to achieve great results. All our awardees have been worthy recipients of the scholarships and it is a great way for Community Bank Sarina to assist in the development of our young people through educational and networking opportunities. It is important that we continue to invest in our future leaders.

In June of this year, we celebrated our 18th birthday. The Board and branch, along with Mackay Region Chamber of Commerce, held a special networking event in Sarina to mark this occasion.

Over the past 12 months we have continued to build on our relationship with Mackay Regional Council and continue to work with our major sponsorship recipients, Sarina Surf Life Saving Club, Sarina Bowls Club, Sarina Cricket, Sarina Netball, Sarina Show Society, Mackay Region Chamber of Commerce, and Sarina District Schools Chaplaincy. We continue to achieve mutual benefits through these and many other relationships our team has in the community. We continue to hold quarterly networking events in Sarina and these were attended by small business owners, Mackay Regional Council, Mackay Region Chamber of Commerce members, our banking team, and our Board Directors. These successful events have enabled the banking team to realise new business opportunities.

A vital component of the Bendigo Bank Community Bank model is the telling of the success stories in our local community. We encourage all recipients of the Community Engagement Program to help us spread the word regarding the benefits of doing business with Community Bank Sarina. We continue to tell our story using digital media and social media platforms. We also utilise our digital sign located at the Sarina showgrounds to advertise our banking business and help local community organisations to advertise their local events. We have developed a schedule of advertising fees to enable business, industries, and community organisations to take advantage of this advertising sign.

Chairman's report (continued)

Our People

The success of the Community Bank Sarina would not be possible without our banking business partner, Bendigo and Adelaide Bank, and the contribution and support of Central Queensland Regional Manager, Stephen Myers, and State Manager, Tisha Boughen. It is through this close working relationship with the Bendigo and Adelaide Bank team that the Company can deliver to our shareholders a dividend of 13 cents per share, fully franked.

The Company could not continue to succeed without the commitment of the Board of Directors, who have devoted many volunteer hours to ensure the business continues to grow and service the Sarina and district community. Maree Franettovich was successfully elected to represent Central and North Queensland on the Community Bank National Council, which is the conduit between Bendigo and Adelaide Banking Executive and the Community Bank companies. The Community Bank National Council continues to develop and progress the Community Bank banking model.

I would like to make special mention of our Company Secretary, Maree Franettovich, who has worked tirelessly to ensure we are fulfilling all the governance requirements. I would also like to thank Ann Fordyce as Chair of the Finance and Audit committee, and Maree Franettovich as Chair of the Business and Community Engagement Committee.

I would like to make special mention and thank our Executive Assistant, Sheryl Brown, who has proven to be a great asset to the Company during the past 12 months. Sheryl is an employee of the Company and supports the sub-committees, helps administer the community grants and sponsorship program, organises our attendance at events, as well as providing secretarial support to the Board and Company Secretary at the monthly Board meetings.

Lastly, I would like to thank my fellow Directors, our Branch Manager and banking team, for supporting me as Director / Chair of the Board over the past 12 months. I look forward to working with the team, our customers, our shareholders, and our community to continue to build a sustainable banking business.



Karen May GAICD
Chair
Sarina and District Community Financial Services Limited

Manager's report

For year ending 30 June 2023

To our Shareholders and Customers

It has been a challenging year, however Community Bank Sarina still achieved a profitable growth. Our total business for the period 2022-2023 is \$178 million including other business, small and commercial business, Rural Bank and financial markets. As at 30 June 2023, Community Bank Sarina had increased its deposit book to \$96.693 million and while the lending book experienced a decrease, it currently sits at \$86.676 million.

Performance

Our deposit book remained strong and we achieved our growth target, increasing our deposit book by \$12 million, which was an increase on the previous financial year. These deposits were key to our performance and the team stayed very focussed on continuing to build new relationships to gain new deposit funds.

Our settlement figures decreased from last financial year by \$4 million, however we were pleased to settle \$11.4 million in lending this year. With discharges of \$22.8 million, this resulted in a negative growth of \$11.4 million. The continuous discharges were a huge hit, with customers still taking advantage of the rise in market prices, interest rates increasing and associated uncertainty, to reduce their debt levels and putting them in a better financial position.

Our overall total business of \$178 million is a slight decrease on last financial year, however this is still a solid business result. It was a year of many challenges in banking services; we remained positive and kept focus on our community and what we could control. It is important for us to continue to strengthen our relationships with existing customers and to build new relationships and attract new business. This is now more relevant than ever, with talk of the 'big 4' closing their doors in regional areas.

We can assure you we are HERE FOR YOU and HERE TO STAY! We made it through COVID 19 and will emerge stronger from the challenging market conditions. Thank you for your support!

We are the Bigger Better Bank, and offer a full suite of banking services, also continuing to participate in the Government Schemes that are on offer. Not all banks are privileged to be a part of this wonderful scheme to help you get into your first or next home. We absolutely pride ourselves on our service to you, and adapting ourselves to what best suits you and being responsive to our customers' busy schedules. If you cannot come to us, we can come to you, or in our modern world there is the digital space.

We stand by our Vision and Values with pride.

Our Vision – Australia's Bank of Choice

Our Value – We are one team with one vision.

We listen, understand, then deliver and believe in what we do, and we are proud of our bank.

We are the right bank with the right people.

This shows with our customer numbers still increasing each year and attracting customers from, not only our local, but also, our broader regional communities and further afield.

Our focus remained strong around our youth, education and developing our future community leaders, working closely with our local students, through our Scholarship Program for years 11 and 12 at Sarina State High School. Also we engage with local primary schools with year 6 graduates, presenting awards that recognise their achievements and commitments. Watching students grow and nurturing them on their journeys is truly rewarding. Our ongoing partnership with CQUniversity, where we support the Scholarship Program for higher education and apprenticeships also, is more imperative than ever for the future of our communities.

Manager's report (continued)

Staff

The team, as I mentioned, have remained very focused throughout the year never losing sight of our customers. We are very passionate about what we do and our respective contributions. We may be a small team, however each of us has different expertise, with a dedicated focus on the customer to ensure you have the best experience where YOU are the most important. I am very proud of my team, the commitment and dedication they show each day is truly commendable as we have had some very trying times, however never losing focus of our purpose, which is our community. As the saying goes - "when the going gets tough, the tough get going".

Charmaine Matsen – Branch Manager

Kylie Schulze – Customer Relationship Officer

Josephine Dahtler – Customer Service Officer

Terri Bella – Customer Service Officer

Appreciation

It has been my privilege to be given the opportunity to be working at Community Bank Sarina for the last 7 years and this would not be possible without the continued support from the Board and its belief in me and the team. I sincerely thank you for your guidance and mentoring you have shown to allow us to grow, with the collective expertise Directors bring to our business. Your dedication and phenomenal amount of volunteer hours to manage the Company to ensure our Community Bank sustains profitably and maintains a strong community presence is acknowledged. Together we are a formidable team.

I would also like to extend my appreciation to Sheryl Brown, Executive Assistant to the Board; you are our 'arms and legs' and make our lives easier, thank you.

To my regional manager, Stephen Myers, thank you for your continued belief in me to achieve the outcomes for the business.

Our community investments are made possible by our Shareholders and customers. Thank you for continuing to share our stories of community impact, supporting our team and advocating for the difference our Community Bank makes, so our community can thrive. Without you this is not possible.

The team and I will continue to be dedicated, working diligently to make this unique business successful. We have the passion and drive to achieve this to ensure our customers' banking experience is exceptional with a true sense of belonging.

Our success does rely on our local community and support that we receive through our customers choosing to bank with us, and your continued advocacy. We are proud to hold a very trusted brand name - Bendigo and Adelaide Bank Limited - never losing sight of our purpose:

To feed into the prosperity of our customers and communities – not off it.

My personal thanks to everyone who has been directly involved in the success of Community Bank Sarina. I sincerely appreciate your support and advocacy, which has resulted in such rewarding outcomes. WOW what a year it has been - many ups and downs. Resilience is a word I have truly learnt the meaning of, which will help me to continue to grow our business to bigger and better things for our community.

Thank you



Charmaine Matsen
Manager
Community Bank Sarina

Community Engagement Program

For year ending 30 June 2023

Sarina and District Community Financial Services Ltd (SDCFSL) operates Community Bank Sarina and is proud to invest in our community through the Community Engagement Program. Our overarching aim of this community investment is to influence positive impact in the community and develop social capital.

Objectives

The objectives of the Community Engagement Program are to

- Enhance visibility of the benefits of Sarina's own Community Bank feeding into community prosperity
- Develop an ongoing mutually beneficial relationship between community and Community Bank Sarina
- Build community capacity and enhance our community as a great place to live.

Community Bank Sarina through its Community Engagement Program proudly invests in our community through Sponsorships, Scholarships, Donations and Community Grants and major community initiatives.

Since opening Community Bank Sarina in 2005, SDCFSL has invested over \$3.8 million directly in community initiatives through Sponsorships, Community Grants and Donations. In addition, we support Scholarships, as well as a range of School Awards at Sarina State High School and our district's primary schools.

This only is possible thanks to our community choosing to become customers with Community Bank Sarina. Growing the customer base underpins the sustainability of the business and allows this unique banking model to thrive and prosper, which in turn allows us to continue to support a range of activities in our community, impact positive change, and leave a legacy for future generations.



A successful banking business that is commercially viable, yet community spirited, underpins this community investment.

Sponsorship

Sponsorship is a business relationship whereby the parties receive a mutual benefit. When Community Bank Sarina invests through a sponsorship investment to an organisation to support its activities, in turn this also should provide exposure and opportunities for Community Bank Sarina to expand its customer base. Working together we strive to achieve our respective goals. This underpins our sustainability and allows us to continue to invest a percentage of profits back into the community. This is how we are different from other banks.

Marquee Program

This is a dedicated sponsorship initiative of Community Bank Sarina to support organisations in their activities by providing a marquee (3m x 3m) with the respective logos and promotional banners. We appreciate the importance of being sun smart so that we can enjoy the great outdoors. The marquee and associated promotional items enable organisations to have a highly visible presence at events as well as afford some sun protection.

Community Engagement Program (continued)



Community Bank Sarina signs up to sponsor Sarina District Schools Chaplaincy Transition to High School Program for three years. L-R Ruth Cliffe, Jane Grieger, Ben Nicol, Karen May, Rod Ballard, Charmaine Matsen.

Community Grants

A Community Grant is focussed on building capacity to address local needs and make a positive contribution to the Sarina and district community. When Community Bank Sarina provides a Community Grant investment to an organisation, there must be positive benefit and impact to the broader community. Community Grant applications are encouraged that develop the capacity of the organisation to meet the needs of local residents, or to develop innovative programs that address local issues. Our Community Grants are supported by funds that we place in the Community Enterprise Foundation™.

Donations

Donations are distinct from Sponsorship and Community Grants. A Donation is focussed on charitable purposes to directly support an organisation and its community work.



Sarina Cricket Association Awarded For A Positive Community Impact. L-R: Sarina Cricket Association's Shannon Pietzner, Ryan Lowrey, John Price, Erin Rutherford and Brodie Boswood receiving the 2023 Community Impact Award from Community Bank Sarina's Charmaine Matsen, Karen May and Maree Franettovich.

Community Engagement Program (continued)

Scholarships

Community Bank Sarina Bendigo Bank Higher Education Scholarship in association with CQUniversity

The Scholarship aims to encourage the local community to study, live and work locally, by providing financial support to attend CQUniversity preferably with Mackay as the home campus. There are two Scholarships available of \$6000 each payable over three years. This Scholarship supports students within the Sarina/Mackay district studying Accounting, Agriculture, Business, Digital Media, Environmental Science, Information Technology, Law, and Science (CU18). Applications usually open in November and close 31 March the following year.

Community Bank Sarina Bendigo Bank Vocational Education and Training (Apprenticeship) Scholarship in association with CQUniversity

The Scholarship aims to encourage the local community to study, live and work locally, by providing financial support and encouragement to take up a trade and undertake apprenticeship training at the local Mackay campus of CQUniversity. There are two Scholarships available of \$4000 each payable over four years. The Scholarship supports students within the Sarina / Mackay district undertaking an Apprenticeship in these fields: Automotive Engineering and Technology, Building and Construction, Electrical, Horticulture, Hairdressing, Manufacturing Engineering and Technology, and Mechanical trades. Applications usually open in November and close 31 March the following year.



Presentation to the 2023 CQUniversity Scholarship recipients for higher education and apprenticeships. L-R: Maree Franettovich, Charmaine Matsen, Karen May, Chloe Paul, Brooke Vella, Seumus Andrews, Prof Rob Brown, Rainee Shepperson, Josephine Dahler.

Community Bank Sarina Bendigo Bank Senior Schooling Community Citizenship Scholarship in association with Sarina State High School

The Scholarship supports students intending to complete Grades 11 and 12 (consecutively) attending Sarina State High School. The total Scholarship value is \$2000 paid over two years and there are two Scholarships available. The aim is to encourage students in the Sarina community to pursue higher studies and understand the importance of community service and citizenship.



2023 Sarina State High School Senior Schooling Scholarship recipients Chelsea Trusz, Zali Hooper and Chelsea Trusz with Community Bank Sarina's Karen May and Charmaine Matsen.

Community Engagement Program (continued)

Community Investment 2022-2023

The tables below set out the major financial investment of the Community Engagement Program actually disbursed in the 2022-2023 financial year.

(Note: The amounts are incl GST where applicable.)

COMMUNITY GRANTS		
Organisation	Project	Amount \$
Sarina Army Cadets (131 Army Cadet Unit)	Field Training - trailer outfit	17,185.00
Sarina & District Community Kindergarten Association	Replacement of decking & installation of security cameras	15,197.60
Sarina Landcare Catchment Management Association	Nursery expansion	9,068.40
Swayneville State School P&C	Lunch time seating	8,900.00
Breakaway Horse Riders Club	Anzac Day Light Horse Project – uniforms & club shirts	6,000.00
The Neighbourhood Hub Mackay	Defibrillator	2,781.90
Oakenden State School P&C	Facilities to support school & community events	2,650.00
Alligator Creek State School P&C	Decodable Books for student learning	2,638.00
Koumala Progress Association	Facilities to support community events.	2,200.00
Community Enterprise Foundation™ Flood Appeal	New South Wales Flood Appeal	1,000.00
Community Enterprise Foundation™ Flood Appeal	Victoria Flood Appeal	1,000.00

(Note: An amount of \$570,000 (incl GST) was transferred to the Community Enterprise Foundation™ in 2022-2023 for community grant payments and to provide for future community initiatives.)

SPONSORSHIP PROGRAM		
Organisation	Project	Amount \$
Sarina District Schools Chaplaincy Committee	Transition to High School Program + promotional signage + activation	9,383.00
Sarina Surf Life Saving Club	Sarina Beach 'Cruisin the Coast' Fun Run – Naming Rights Sponsor 2023 Event participation	8,730.00
Mackay Region Chamber of Commerce	Corporate Sponsorship - Annual	8,250.00
Sarina Bowls Club	Partnering Sponsorship + promotional signage at Club	6,140.00
Greater Whitsunday Communities	Housing Roundtable Research Project Housing Summit	5,500.00
Sarina Show Society	Sarina Annual Show Event Sponsorship	5,000.00
QCWA Sarina	Major Sponsor – Centenary Celebrations 2023 Sponsor Race Day 2022 Event activation + promotion	3,296.00
Mackay Hospital Foundation	Dinner on The Runway Event Sponsorship 2022	2,200.00
Bakers Creek Tigers Australian Football Club	Club Sponsorship	3,300.00
Sarina Rotary Club	BBQ Trailer revitalisation + signage	3,129.38
Sarina Cricket Association	Partnering Sponsorship	3,000.00
St Annes P&F Association	Garden Party Event Sponsorship 2022 & 2023	2,500.00

Community Engagement Program (continued)

SPONSORSHIP PROGRAM (continued)

Organisation	Project	Amount \$
Mackay Women's Centre	Sarina Women's Support Program	1,720.00
Sarina & District Netball Association	Club Sponsorship	1,650.00
Breakaway Horse Riders Club	Charity Ride Event Sponsorship + promotional signage + merchandise	1,630.00
Eungella State School P&C Association	Festival of Small Halls Event Sponsorship + promotional signage	1,234.00
Positive Pregnancy and Birth Collective	Positive Pregnancy Expo Event Sponsorship	1,000.00
Shades of Women	Event in support of domestic violence prevention + activation	669.80
Cape Palmerston Holiday Park	Cape Palmerston Camp Oven Cook Off + promotional signage	620.00
Sarina Pony Club	Club Sponsorship	500.00
Alligator State School P&C Association	Trivia night Sponsorship	300.00

(Note: Sponsorship totals include GST where applicable and represent direct payments to the organisation and may include key contributions for activation activities, such as promotion and signage, to support the relationship. Operational expenses associated with the overall Community Engagement Program, including marketing, advertising, and printing are not always included here unless specified.)



Branch Manager, Charmaine Matsen, and Customer Relationship Officer, Kylie Schulze, check out the QCWA Sarina Centenary display in branch.



President, QCWA Sarina, Mary-Therese Watson, highlights the work of QCWA Sarina connecting women and the role in supporting community.

MARQUEE SPONSORSHIP PROGRAM

The total of \$35,216.00 was invested through this program, which provides a co-branded Marquee and/or a range of physical promotional material to the following organisations:

Bakers Creek Tigers Australian Football Club	Sarina Army Cadets (131 Army Cadet Unit)
Blue Mountain Cattle Dog Trial Association	Sarina Art Gallery
Finch Hatton State School P&C Association	Sarina Arts & Crafts
Friends of St Helen's Beach Environment	Sarina Bird Club
Grasstree Beach Progress Association	Sarina Bowls Club
Hoey Street (C&K) Kindergarten Sarina	Sarina Poultry Society
Kalyan Youth Service	Sarina Surf Life Saving Club
Koumala Bushman's Carnival	Selectability
QCWA Nebo Sarina Range	Western Suburbs Rugby League Football
Sarina & District BMX Club	

Community Engagement Program (continued)

SCHOLARSHIP PROGRAM	
Program	Amount \$
Community Bank Sarina Higher Education Student Scholarship 2023-2025 in association with CQUniversity (2 x \$6000)	12,000.00
Community Bank Sarina Vocational Education and Training (Apprenticeship) Scholarship 2023-2026 in association with CQUniversity (2 x \$4000)	8,000.00
Community Bank Sarina Senior Schooling Community Citizenship Student Scholarship 2022-2023 in association with Sarina State High School (2 x \$2000)	4,000.00

(Note: The Scholarships represent the total value of the Scholarship for the respective period.)

DONATIONS	
Organisation	Amount \$
Mackay Hospital Foundation	1,050.00
CrossRoad Arts	1,000.00
Community Accommodation Support Agency (CASA) Christmas Appeal	550.00
QCWA Koumala	500.00
QCWA Nebo/Sarina Range	500.00
QCWA Pioneer Division	500.00
QCWA Sarina	500.00
The Neighbourhood Hub Mackay	500.00
Lowanna House Christmas Appeal	500.00
Samaritan House (The Salvation Army) Christmas Appeal	500.00
Mackay Men's Shelter (St Vincent de Paul Society Qld) Christmas Appeal	500.00
Mackay Pet Rescue	500.00
Roshni Annual Community Christmas Lunch	500.00
Sarina Cricket Association – Community Impact Award	500.00
Sarina Youth Centre	400.00
Variety Queensland	100.00

(Note: Donations under \$100 are not listed.)



Community Bank Sarina's Maree Franettovich and Karen May presenting a donation cheque to Crossroad Arts' Brenden Borellini and Allison Richardson.

Bendigo and Adelaide Bank report

For year ending 30 June 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future – growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than \$32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful to the hard work of many passionate Directors (past and present). Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.



Justine Minne
Bendigo and Adelaide Bank

Community Bank National Council report

For year ending 30 June 2023



As a shareholder in your local Community Bank, you belong to an incredible social enterprise network that to date has reinvested more than \$300 million in our local communities.

And now, as we celebrate our 25th anniversary milestone, we are evolving even further by sharpening our focus on our community enterprises – separate to the banking side of the business. We are uniting our Community Bank companies through a shared vision of being the most influential network of social enterprises in Australia. This means we'll have a bigger and better story to tell about how we collectively deliver impact.

Our future is together because of our extraordinary strength and aligned partnership with each other, and with our partner, Bendigo and Adelaide Bank. Our partnership with the Bank has been fashioned out of shared effort, risk and reward and it continues to serve us well.

And now even with the digital evolution upon us, the foundation of our future still relies on the guiding principles of the Community Bank model. We are community enterprises and the custodians of this incredible model that collaborates with local communities for social good. The objective of our Community Bank network remains the same. Our evolution will be evidenced by the channels that we use to connect with our customers and communities, digital by design and human where it matters.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches. The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country.

The Community Bank network creates impact through grants, donations and sponsorships that connect with and care for generations of Australians. Network investment ranges from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. We also facilitate and attract partnerships to help support much needed community projects.

The Community Bank National Council (CBNC) is the voice of the Community Bank network. The role of the CBNC is to advocate and influence on behalf of the 240 community enterprises with its partner. It has also been the role of the CBNC to oversee the development of the Community Network Strategy which exists to ensure the ongoing sustainability of this unique collective of social enterprises.

In September this year our Community Bank network celebrates 25 years. It's a tremendous milestone and one which we're hugely proud of achieving. We have never been stronger and we look forward to continuing to serve our shareholders, customers and communities as we embrace our exciting future.

Warm regards

A stylized, handwritten signature in dark ink, appearing to be 'Sarah Franklyn'.

Sarah Franklyn
CBNC Chair

Directors' report

30 June 2023

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

Directors

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

Name:	Karen Lesley May
Title:	Non-executive director
Experience and expertise:	Councillor/Deputy Mayor of Mackay Regional Council. She is a graduate of the Australian Institute of Company Directors. Karen holds a Certificate 111 in Frontline Management, a Certificate in Community Development and has completed a leadership course for Women in Local Government and completed a course in Financial Management for Local Government. She has 19 years' experience in local government during which time she has held the position of councillor, Deputy Mayor and Mayor of Sarina Shire Council and Councillor and Deputy Mayor of Mackay Regional Council. Karen has been a small business owner for the past 26 years, having owned Sarina Motor Inn and Hideaway Restaurant, Eagle Boys Pizza Sarina, Sarina Laundromat and vending business. Karen managed the Sarina RSL Club for a 2 year period. Karen is Director/Chair of Mackay Regional Housing Company and Connect Housing Group for the past 13 years whose goal is to deliver affordable housing solutions. Karen is also Chair of Greater Whitsunday Communities, Chair of Mackay Women's Service and Deputy Chair of Sarina Landcare and Catchment Management Association. Karen is also a Committee Member of Regional Development Australia - Greater Whitsundays. She holds memberships of Australian Institute of Company Directors and Australian Women in Local Government Association. Karen is a strong advocate for regional and local communities.
Special responsibilities:	Chair, Member Finance & Audit Committee, Member Business & Community Engagement Committee
Name:	Maree Gail Franettovich
Title:	Non-executive director
Experience and expertise:	Maree is a graduate of the Australian Institute of Company Directors. She also holds a Bachelor of Business (Management and Human Resources), a Graduate Diploma of Management, Certificate in Governance Practice (GIA), Workplace Trainer accreditation, and is a DISC Advanced® Accredited Consultant. Maree is founder and owner of CareerForce Australia, a career development and management consultancy, as well as a Director of Business Services Network Pty Ltd, a boutique consultancy dedicated to tailored strategic business solutions with a key focus on the right people management, developing managers and implementing specialised business frameworks. She also held a role with Chamber of Commerce and Industry Queensland as Regional Stakeholder Manager. Maree has extensive business experience having worked in a diverse range of industries in Australia and overseas. She brings this professional acumen and expertise to her Director and community leadership roles. For many years, she was a lecturer in Business at CQUniversity, where she cofounded the highly successful Engage Mentor Program. She is a passionate regional advocate and an energetic and enthusiastic educator and career coach. Maree is a Director of Reef Catchments Ltd; Catchment Solutions; Mackay Regional Housing Company and Connect Housing; and a Committee Member of Regional Development Australia – Greater Whitsundays. Maree is the elected representative for CQ/NQ on the Community Bank National Council.
Special responsibilities:	Deputy Chair, Company Secretary, Chair Business & Community Engagement Committee, Member Finance & Audit Committee

Directors' report (continued)

Name: George Edward (Ted) Malone
Title: Non-executive director
Experience and expertise: Retired MP. Ted is a retired Member of the Queensland Parliament (1994-2015) and was Assistant Minister for Emergency Services Volunteer with special responsibility for a review of the Queensland Rural Fire Service and Volunteers. His Shadow Ministries included Emergency Services, Local Government, Public Works, Employment and Training. Previously Ted has been a contractor, cane farmer, grazier, and property developer. He was a delegate to sugar industry conferences for 24 years; served five years on the Board of a growers' organisation with three years as Chairman until April 1994. Ted was a member of the Sugar Industry Policy Council and the Sugar Research and Development Corporation Selection Committee and discussions leading up to the division of sugar monies. He is a Life Member of Apex Club of Sarina, member of Lions Club of Sarina and Patron and Committee member of the Ted Malone MP Rural Skills Centre.

Special responsibilities: Member Business & Community Engagement Committee, Member Finance & Audit Committee

Name: Nicholas Paul McDougall
Title: Non-executive director
Experience and expertise: French Polisher. Nicholas holds a Bachelor in Heritage, Museums and Conservation from the University of Canberra. He is the Chair of the Sugar City Art Deco and Modernist Society and is a member of the Mackay Regional Council Character and Heritage Advisory Committee. Professionally, Nicholas is a French Polisher and Furniture Restorer operating McDougall Furniture Restoration since 2018, servicing Sarina and surrounding districts. Nicholas has recently taken on a position as an Electorate Officer for Andrew Willcox Federal Member for Dawson. He is actively involved in the family business, which has cattle, cropping and sugar interests.

Special responsibilities: Member Business & Community Engagement Committee

Name: Raine Shepperson
Title: Non-executive director
Experience and expertise: Raine Shepperson works full time as the Stakeholder Engagement and Project Delivery Officer at Resources Centre of Excellence, where she is responsible for implementing Stage 2 - Future Industries Hub and Stage 3 - Isaac Region Centre of Excellence Hub. Working alongside the CEO, her role is crucial to the delivery of company strategy, driving innovation, acceleration and facilitating connections within the Queensland mining, resources and METS sector. Raine is a Sarina local who graduated as DUX of Sarina State High School and went on to complete a Bachelor of Business Management/Bachelor of Journalism at CQUniversity in Mackay. She brings to the board a background in marketing, communications and journalism, having worked in roles at The Daily Mercury, Mackay Tourism and for local members of government including Julieanne Gilbert and the late Tim Mulherin. Raine has been involved with Sarina dance schools for many years and is passionate about encouraging the younger generations to achieve their academic and professional goals.

Special responsibilities: Deputy Chair Business & Community Engagement Committee, Member Finance & Audit Committee

Directors' report (continued)

Name: Ann Fordyce
Title: Non-executive director (appointed 28 July 2022)
Experience and expertise: Chartered Accountant and non-executive director. Ann is a fellow member of the Institute of Chartered Accountants in Australia and New Zealand (ACANZ). She holds a Bachelor of Financial Administration (B Fin Ad min) and a Master of Business Administration (MBA) and is a graduate of the Australian Institute of Company Directors (AICD). Ann's professional experience and skills have been gained as an accountant in private practice for over 35 years, of which 18 was as a partner in a Brisbane based accounting firm, Pilot Partners. Ann was a Registered Liquidator from 1998 to 2022 and a Registered Trustee in Bankruptcy from 2001 to 2022. Ann's experience extends to consulting, insolvency and restructuring services across multiple industries from private owner managed businesses, not-for-profit organisations and high net worth individuals through to large corporates obtained through various roles within the professional accounting industry. Ann has her own consulting business offering her skills and experience as a nonexecutive to organisations. Ann held a voluntary position as a skilled director on the Board and Finance Risk and Audit Committee of the Australian Medical Association Queensland ("AMA QLD") from November 2019 to May 2022. Ann is also a Justice of the Peace (JP).

Special responsibilities: Chair Finance & Audit Committee, Member Business & Community Engagement Committee

Name: David Luigi Erba
Title: Non-executive director (resigned 10 January 2023)
Experience and expertise: Sugarcane Grower. David holds a Bachelor of Business (Accounting) from CQUniversity. He also is a qualified Diesel Fitter with experience in the coal industry. He has extensive experience in business, having worked in public accounting in Mackay as well as a foray into small business operating retail food business. David currently owns and operates a sugar cane farming business. He is an active member of various community businesses and sporting clubs including motorcycle and cycling clubs. David also serves as Treasurer on the Ted Malone MP Rural Skills Centre Board.

Special responsibilities: Chair Finance & Audit Committee, Member Business & Community Engagement Committee

Company secretary

The company secretary is Maree Franettovich. Maree was appointed to the position of company secretary on 12 November 2019.

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 \$196,439 (30 June 2022: \$138,219).

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

Directors' report (continued)

Dividends

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

	2023 \$	2022 \$
Fully franked dividend of 10 cents per share (2022: 10 cents)	<u>72,011</u>	<u>72,011</u>

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments

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

Environmental regulation

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

Meetings of directors

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

	Board		Finance & Audit Committee		Business & Community Engagement Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Karen Lesley May	11	11	11	11	10	10
Maree Gail Franettovich	11	11	11	10	10	10
George Edward (Ted) Malone	11	9	11	7	10	8
Nicholas Paul McDougall	11	9	2	-	10	8
Rainee Shepperson	11	11	11	11	10	8
Ann Fordyce	10	9	10	9	8	8
David Luigi Erba	5	5	5	5	4	3

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
Karen Lesley May	1,500	-	1,500
Maree Gail Franettovich	8,850	-	8,850
George Edward (Ted) Malone	16,000	-	16,000
Nicholas Paul McDougall	3,400	-	3,400
Rainee Shepperson	-	-	-
Ann Fordyce	-	-	-
David Luigi Erba	-	-	-

Directors' report (continued)

Indemnity and insurance of directors and officers

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

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

Proceedings on behalf of the company

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

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

Indemnity and insurance of auditor

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

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

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 23 to the accounts.

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

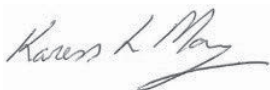
- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional 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



Karen Lesley May
Chair

28 September 2023

Auditor's independence declaration



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

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Sarina and District Community Financial Services Ltd

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 September 2023

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

Joshua Griffin
Lead Auditor



Financial statements

Sarina and District Community Financial Services Ltd Statement of profit or loss and other comprehensive income For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	6	1,755,972	1,428,800
Other revenue		14,920	15,151
Finance revenue		10,289	1,266
Total revenue		<u>1,781,181</u>	<u>1,445,217</u>
Employee benefits expense	7	(459,236)	(512,748)
Advertising and marketing costs		(71,545)	(83,842)
Occupancy and associated costs		(76,107)	(39,165)
System costs		(16,404)	(19,014)
Depreciation and amortisation expense	7	(101,517)	(99,109)
Finance costs	7	(16,410)	(16,523)
General administration expenses		(133,303)	(149,989)
Total expenses before community contributions and income tax expense		<u>(874,522)</u>	<u>(920,390)</u>
Profit before community contributions and income tax expense		906,659	524,827
Charitable donations, sponsorships and grants expense	7	<u>(643,854)</u>	<u>(340,194)</u>
Profit before income tax expense		262,805	184,633
Income tax expense	8	<u>(66,366)</u>	<u>(46,414)</u>
Profit after income tax expense for the year	17	196,439	138,219
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>196,439</u></u>	<u><u>138,219</u></u>
		Cents	Cents
Basic earnings per share	25	27.28	19.19
Diluted earnings per share	25	27.28	19.19

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

Financial statements (continued)

Sarina and District Community Financial Services Ltd Statement of financial position As at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	9	982,843	844,891
Trade and other receivables	10	109,564	84,177
Total current assets		<u>1,092,407</u>	<u>929,068</u>
Non-current assets			
Property, plant and equipment	11	173,132	214,651
Right-of-use assets	12	397,039	396,552
Intangible assets	13	21,286	35,236
Deferred tax assets	8	711	-
Total non-current assets		<u>592,168</u>	<u>646,439</u>
Total assets		<u>1,684,575</u>	<u>1,575,507</u>
Liabilities			
Current liabilities			
Trade and other payables	14	23,627	10,405
Lease liabilities	15	31,641	28,439
Current tax liabilities	8	20,377	29,213
Total current liabilities		<u>75,645</u>	<u>68,057</u>
Non-current liabilities			
Trade and other payables	14	-	14,263
Lease liabilities	15	421,154	421,611
Deferred tax liabilities	8	-	9,070
Lease make good provision		24,260	23,418
Total non-current liabilities		<u>445,414</u>	<u>468,362</u>
Total liabilities		<u>521,059</u>	<u>536,419</u>
Net assets		<u>1,163,516</u>	<u>1,039,088</u>
Equity			
Issued capital	16	688,018	688,018
Retained earnings	17	475,498	351,070
Total equity		<u>1,163,516</u>	<u>1,039,088</u>

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

Financial statements (continued)

Sarina and District Community Financial Services Ltd Statement of changes in equity For the year ended 30 June 2023

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2021		688,018	284,862	972,880
Profit after income tax expense		-	138,219	138,219
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	138,219	138,219
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	19	-	(72,011)	(72,011)
Balance at 30 June 2022		<u>688,018</u>	<u>351,070</u>	<u>1,039,088</u>
Balance at 1 July 2022		688,018	351,070	1,039,088
Profit after income tax expense		-	196,439	196,439
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	196,439	196,439
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	19	-	(72,011)	(72,011)
Balance at 30 June 2023		<u>688,018</u>	<u>475,498</u>	<u>1,163,516</u>

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

Financial statements (continued)

Sarina and District Community Financial Services Ltd Statement of cash flows For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,921,428	1,582,730
Payments to suppliers and employees (inclusive of GST)		(1,564,448)	(1,313,869)
Interest received		10,289	1,266
Interest and other finance costs paid		-	(105)
Income taxes paid		<u>(84,983)</u>	<u>(58,921)</u>
Net cash provided by operating activities	24	<u>282,286</u>	<u>211,101</u>
Cash flows from investing activities			
Payments for property, plant and equipment	11	(14,721)	(18,436)
Payments for intangible assets		<u>(12,966)</u>	<u>(12,966)</u>
Net cash used in investing activities		<u>(27,687)</u>	<u>(31,402)</u>
Cash flows from financing activities			
Dividends paid	19	(72,011)	(72,011)
Repayment of lease liabilities	15	<u>(44,636)</u>	<u>(41,781)</u>
Net cash used in financing activities		<u>(116,647)</u>	<u>(113,792)</u>
Net increase in cash and cash equivalents		137,952	65,907
Cash and cash equivalents at the beginning of the financial year		<u>844,891</u>	<u>778,984</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>982,843</u></u>	<u><u>844,891</u></u>

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

Notes to the financial statements

30 June 2023

Note 1. Reporting entity

The financial statements cover Sarina and District Community Financial Services Ltd (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 37 Broad Street, Sarina QLD 4737.

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 28 September 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

Current and non-current classification

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

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

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

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

Impairment

Non-derivative financial assets

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

Notes to the financial statements (continued)

Note 3. Significant accounting policies (continued)

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

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

Impairment of non-financial assets

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

Recovery of deferred tax assets

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

Notes to the financial statements (continued)

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

Lease term

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

Incremental borrowing rate

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

Lease make good provision

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

Note 5. Economic dependency

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

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.

Notes to the financial statements (continued)

Note 5. Economic dependency (continued)

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	1,524,889	1,218,710
Fee income	80,627	78,688
Commission income	150,456	131,402
	<u>1,755,972</u>	<u>1,428,800</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.

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

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

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

Revenue calculation

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

Notes to the financial statements (continued)

Note 6. Revenue from contracts with customers (continued)

Margin income

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

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

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

Commission income

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

Note 7. Expenses

Employee benefits expense

	2023	2022
	\$	\$
Wages and salaries	373,461	398,450
Non-cash benefits	6,209	6,209
Superannuation contributions	38,459	42,997
Expenses related to long service leave	8,992	7,538
Other expenses	32,115	57,554
	<u>459,236</u>	<u>512,748</u>

Notes to the financial statements (continued)

Note 7. Expenses (continued)

Accounting policy for employee benefits

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

Depreciation and amortisation expense

	2023 \$	2022 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	13,028	12,432
Plant and equipment	31,730	31,707
Motor vehicles	11,482	11,771
	<u>56,240</u>	<u>55,910</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	31,327	29,249
<i>Amortisation of intangible assets</i>		
Franchise fee	2,325	2,325
Franchise renewal fee	11,625	11,625
	<u>13,950</u>	<u>13,950</u>
	<u>101,517</u>	<u>99,109</u>

Finance costs

	2023 \$	2022 \$
Other	-	105
Lease interest expense	15,567	15,605
Unwinding of make-good provision	843	813
	<u>16,410</u>	<u>16,523</u>

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

Leases recognition exemption

	2023 \$	2022 \$
Expenses relating to low-value leases	<u>6,420</u>	<u>8,006</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	125,672	67,467
Contribution to the Community Enterprise Foundation™	518,182	272,727
	<u>643,854</u>	<u>340,194</u>

Notes to the financial statements (continued)

Note 7. Expenses (continued)

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.

The company funds are managed by CEF. Directors are responsible for determination of the payment of community grants, however the funds are not refundable to the company.

Community Enterprise Foundation™ contributions

	2023 \$	2022 \$
<i>Disaggregation of CEF funds</i>		
Opening balance	542,995	390,437
Contributions paid in	518,182	272,727
Grants paid out	(93,621)	(113,145)
Interest received	18,764	2,015
Management fees incurred	(25,907)	(13,696)
GST refunded for grants	2,459	4,657
	<u>962,872</u>	<u>542,995</u>
Balance available for distribution	<u>962,872</u>	<u>542,995</u>

During the financial year the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo Bank. These contributions paid in form part of charitable donations, sponsorships and grants expense included in profit or loss and are inclusive of GST.

Correction of error

During the financial year, we noted a GST reconciliation misalignment relating to the 2022 Community Enterprise Foundation accounting. This has been corrected for the 2022 financial year. This issue was deemed immaterial to users, but corrected to rectify the issue.

Note 8. Income tax

	2023 \$	2022 \$
<i>Income tax expense</i>		
Current tax	76,147	54,678
Movement in deferred tax	(9,781)	(8,264)
	<u>66,366</u>	<u>46,414</u>
Aggregate income tax expense	<u>66,366</u>	<u>46,414</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	262,805	184,633
Tax at the statutory tax rate of 25%	65,701	46,158
Tax effect of:		
Non-deductible expenses	665	256
Income tax expense	<u>66,366</u>	<u>46,414</u>

Notes to the financial statements (continued)

Note 8. Income tax (continued)

	2023	2022
	\$	\$
<i>Deferred tax attributable to:</i>		
expense accruals	50	49
employee provisions	326	-
make-good provision	6,065	5,855
lease liabilities	113,199	112,513
property, plant and equipment	(19,259)	(27,939)
income accruals	(410)	(410)
right-of-use assets	(99,260)	(99,138)
	<u>711</u>	<u>(9,070)</u>
	2023	2022
	\$	\$
Provision for income tax	<u>20,377</u>	<u>29,213</u>

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

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

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

Note 9. Cash and cash equivalents

	2023	2022
	\$	\$
Cash at bank and on hand	482,843	542,276
Term deposits	500,000	302,615
	<u>982,843</u>	<u>844,891</u>

Notes to the financial statements (continued)

Note 9. Cash and cash equivalents (continued)

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 10. Trade and other receivables

	2023 \$	2022 \$
Trade receivables	100,229	74,842
Accrued income	1,640	1,640
Prepayments	7,695	7,695
	<u>9,335</u>	<u>9,335</u>
	<u>109,564</u>	<u>84,177</u>

Accounting policy for trade and other receivables

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

Note 11. Property, plant and equipment

	2023 \$	2022 \$
Leasehold improvements - at cost	278,741	270,039
Less: Accumulated depreciation	(159,398)	(146,370)
	<u>119,343</u>	<u>123,669</u>
Plant and equipment - at cost	201,990	195,970
Less: Accumulated depreciation	(153,281)	(121,550)
	<u>48,709</u>	<u>74,420</u>
Motor vehicles - at cost	58,271	58,271
Less: Accumulated depreciation	(53,191)	(41,709)
	<u>5,080</u>	<u>16,562</u>
	<u>173,132</u>	<u>214,651</u>

Notes to the financial statements (continued)

Note 11. 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 \$	Total \$
Balance at 1 July 2021	126,155	98,526	28,837	253,518
Additions	10,729	7,707	-	18,436
Disposals	(783)	(106)	(504)	(1,393)
Depreciation	(12,432)	(31,707)	(11,771)	(55,910)
Balance at 30 June 2022	123,669	74,420	16,562	214,651
Additions	8,702	6,019	-	14,721
Depreciation	(13,028)	(31,730)	(11,482)	(56,240)
Balance at 30 June 2023	<u>119,343</u>	<u>48,709</u>	<u>5,080</u>	<u>173,132</u>

Accounting policy for property, plant and equipment

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

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

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

Motor Vehicles	5 years
Leasehold Improvements	4 to 25 years
Plant and equipment	1 to 40 years

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

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

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

Changes in estimates

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

Note 12. Right-of-use assets

	2023 \$	2022 \$
Land and buildings - right-of-use	760,183	728,368
Less: Accumulated depreciation	(363,144)	(331,816)
	<u>397,039</u>	<u>396,552</u>

Notes to the financial statements (continued)

Note 12. 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 2021	400,042
Remeasurement adjustments	25,759
Depreciation expense	<u>(29,249)</u>
Balance at 30 June 2022	396,552
Remeasurement adjustments	31,814
Depreciation expense	<u>(31,327)</u>
Balance at 30 June 2023	<u><u>397,039</u></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.

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 15 for more information on lease arrangements.

Note 13. Intangible assets

	2023 \$	2022 \$
Franchise fee	93,773	93,773
Less: Accumulated amortisation	<u>(90,225)</u>	<u>(87,900)</u>
	3,548	5,873
Franchise renewal fee	168,865	168,865
Less: Accumulated amortisation	<u>(151,127)</u>	<u>(139,502)</u>
	17,738	29,363
	<u><u>21,286</u></u>	<u><u>35,236</u></u>

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

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2021	8,198	40,988	49,186
Amortisation expense	<u>(2,325)</u>	<u>(11,625)</u>	<u>(13,950)</u>
Balance at 30 June 2022	5,873	29,363	35,236
Amortisation expense	<u>(2,325)</u>	<u>(11,625)</u>	<u>(13,950)</u>
Balance at 30 June 2023	<u><u>3,548</u></u>	<u><u>17,738</u></u>	<u><u>21,286</u></u>

Notes to the financial statements (continued)

Note 13. Intangible assets (continued)

Accounting policy for intangible assets

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

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

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

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

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

Change in estimates

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

Note 14. Trade and other payables

	2023	2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	6,282	6,151
Other payables and accruals	17,345	4,254
	<u>23,627</u>	<u>10,405</u>
<i>Non-current liabilities</i>		
Other payables and accruals	-	14,263
	<u>-</u>	<u>14,263</u>

Accounting policy for trade and other payables

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

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

Notes to the financial statements (continued)

Note 15. Lease liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	47,160	43,912
Unexpired interest	(15,519)	(15,473)
	<u>31,641</u>	<u>28,439</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	506,970	515,966
Unexpired interest	(85,816)	(94,355)
	<u>421,154</u>	<u>421,611</u>
<i>Reconciliation of lease liabilities</i>		
	2023 \$	2022 \$
Opening balance	450,050	450,467
Remeasurement adjustments	31,814	25,759
Lease interest expense	15,567	15,605
Lease payments - total cash outflow	(44,636)	(41,781)
	<u>452,795</u>	<u>450,050</u>
<i>Maturity analysis</i>		
	2023 \$	2022 \$
Not later than 12 months	47,160	43,912
Between 12 months and 5 years	188,640	175,648
Greater than 5 years	318,330	340,318
	<u>554,130</u>	<u>559,878</u>

Accounting policy for lease liabilities

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

Lease payments included in the measurement of the lease liability comprise variable lease payments that depend on a rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected 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.

Notes to the financial statements (continued)

Note 15. Lease liabilities (continued)

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

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

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Sarina Branch	3.54%	5 years	2 x 5 years	Yes	April 2035

Note 16. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	720,109	720,109	720,109	720,109
Less: Equity raising costs	-	-	(32,091)	(32,091)
	<u>720,109</u>	<u>720,109</u>	<u>688,018</u>	<u>688,018</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.

Notes to the financial statements (continued)

Note 16. Issued capital (continued)

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

Prohibited shareholding interest

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

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

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

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 17. Retained earnings

	2023 \$	2022 \$
Retained earnings at the beginning of the financial year	351,070	284,862
Profit after income tax expense for the year	196,439	138,219
Dividends paid (note 19)	<u>(72,011)</u>	<u>(72,011)</u>
Retained earnings at the end of the financial year	<u>475,498</u>	<u>351,070</u>

Note 18. Capital management

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

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

The distribution limit is the greater of:

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

Notes to the financial statements (continued)

Note 18. 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 19. Dividends

Dividends provided for and paid during the period

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 10 cents per share (2022: 10 cents)	<u>72,011</u>	<u>72,011</u>

Franking credits

	2023 \$	2022 \$
Franking account balance at the beginning of the financial year	203,802	168,885
Franking credits (debits) arising from income taxes paid (refunded)	84,983	58,921
Franking debits from the payment of franked distributions	<u>(24,004)</u>	<u>(24,004)</u>
	264,781	203,802

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

Balance at the end of the financial year	264,781	203,802
Franking credits (debits) that will arise from payment (refund) of income tax	<u>34,320</u>	<u>29,076</u>
Franking credits available for future reporting periods	<u>299,101</u>	<u>232,878</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 in the financial year they are declared.

Note 20. Financial instruments

	2023 \$	2022 \$
Financial assets		
Trade and other receivables	101,869	76,482
Cash and cash equivalents	<u>982,843</u>	<u>844,891</u>
	<u>1,084,712</u>	<u>921,373</u>
Financial liabilities		
Trade and other payables	23,627	24,668
Lease liabilities	<u>452,795</u>	<u>450,050</u>
	<u>476,422</u>	<u>474,718</u>

Accounting policy for financial instruments

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

Notes to the financial statements (continued)

Note 20. 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.

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial risk management

The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments. Risk management is carried out directly by the board.

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$982,843 at 30 June 2023 (2022: \$844,891).

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.

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.

Notes to the financial statements (continued)

Note 20. Financial instruments (continued)

Exposure to liquidity risk

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

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Trade and other payables	23,627	-	-	23,627
Lease liabilities	47,160	188,640	318,330	554,130
Total non-derivatives	<u>70,787</u>	<u>188,640</u>	<u>318,330</u>	<u>577,757</u>
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2022				
Trade and other payables	10,405	14,263	-	24,668
Lease liabilities	43,912	175,648	340,318	559,878
Total non-derivatives	<u>54,317</u>	<u>189,911</u>	<u>340,318</u>	<u>584,546</u>

Note 21. Key management personnel disclosures

The following persons were directors of Sarina and District Community Financial Services Ltd during the financial year and/or up to the date of signing of these Financial Statements.

Karen Lesley May	Rainee Shepperson
Maree Gail Franettovich	Ann Fordyce
George Edward (Ted) Malone	David Luigi Erba
Nicholas Paul McDougall	

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

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

Note 22. Related party transactions

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

Notes to the financial statements (continued)

Note 23. Remuneration of auditors

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

	2023 \$	2022 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,400	5,200
<i>Other services</i>		
Taxation advice and tax compliance services	760	600
General advisory services	3,630	3,230
Share registry services	5,690	1,570
	<u>10,080</u>	<u>5,400</u>
	<u>15,480</u>	<u>10,600</u>

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

	2023 \$	2022 \$
Profit after income tax expense for the year	196,439	138,219
Adjustments for:		
Depreciation and amortisation	101,517	99,109
Lease liabilities interest	15,567	15,605
Change in operating assets and liabilities:		
Increase in trade and other receivables	(25,387)	(4,371)
Increase in deferred tax assets	(711)	-
Increase/(decrease) in trade and other payables	11,925	(25,768)
Decrease in provision for income tax	(8,836)	(4,243)
Decrease in deferred tax liabilities	(9,070)	(8,264)
Increase in other provisions	842	814
Net cash provided by operating activities	<u>282,286</u>	<u>211,101</u>

Note 25. Earnings per share

	2023 \$	2022 \$
Profit after income tax	<u>196,439</u>	<u>138,219</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>720,109</u>	<u>720,109</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>720,109</u>	<u>720,109</u>
	Cents	Cents
Basic earnings per share	27.28	19.19
Diluted earnings per share	27.28	19.19

Notes to the financial statements (continued)

Note 25. Earnings per share (continued)

Accounting policy for earnings per share

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

Note 26. Commitments

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

Note 27. Contingencies

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

Note 28. Events after the reporting period

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

Directors' declaration

30 June 2023

In the directors' opinion:

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

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

On behalf of the directors



Karen Lesley May
Chair

28 September 2023

Independent audit report



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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(03) 5443 0344

Independent auditor's report to the Directors of Sarina and District Community Financial Services Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sarina and District Community Financial Services Ltd (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 Sarina and District Community Financial Services Ltd, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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





Andrew Frewin Stewart
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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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Liability limited by a scheme approved under Professional Standards Legislation.



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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 September 2023

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

Joshua Griffin
Lead Auditor

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 /communitybanksarina

 **Bendigo Bank**