

Annual Report 2022

Mandurah Community Financial
Services Limited

Community Bank
Halls Head

ABN 56 098 081 308

Mandurah Community Financial Service Ltd



Chair of the Board Message

Dear Shareholder

In April 2002, the Community Bank Halls Head opened its doors to customers and the Community of Mandurah. Over that period the Community Bank has been at the same site in the Halls Head Shopping Centre. However, in August this year we closed that branch and moved into our new modern site at the Halls Head Central Shopping Centre. In March 2020, Bendigo changed its corporate branding which meant we also would need to update ours, though Bendigo did allow us a period of up to 5 years to deal with it. From the Board's perspective this gave us an opportunity to consider several issues, including whether to remain and update our existing branch site or move to a new location and build a branch to meet our current requirements. In either situation the Board wanted to have our Community Partnership Manager, Jenny Hammington, co-located with the branch instead of working in a separate location in central Mandurah as has been the case for years. At the beginning of this process the Board also resolved that the Branch was not moving from Halls Head. We were not going to follow all the other Banks to the Mandurah Forum. We wished to honour the original Steering committee, (and the original Board's) decision to open in Halls Head when there was no bank on the western side of the estuary.

The Board's decision to relocate to the new site was made after looking at several other sites in the Halls Head area. If we had remained in the original shopping centre, we would have been required to relocate as part of the complete redevelopment of the centre. As the costs of fitting out a new branch under either option would have been effectively the same, the decision to relocate came down to two major factors. Firstly, if we remained in the existing centre, we would be operating in a building site for an unknown period and secondly, we received the offer of a significantly greater fitout contribution incentive to move to the new site.

It was great to see at the official opening of the new branch several of the original board members, and in particular the original Board Chair Allan Raynor. I would like to thank Allan for his attendance at the event and for his assistance in officially opening our new Community Bank Halls Head branch.

As mentioned at the event, I would like to thank my fellow Board's Development Subcommittee members, Andrew Brown, Adrian Pitsikas, Jenny Hammington and Sarah Chambers for the work in getting the new Branch completed. I particularly would like to acknowledge the drive and leadership of Sarah in seeing this project to completion. Thanks Sarah.

Also, I acknowledge the Bendigo corporate team led by Gavin Durham and Sebastiaan Braeckvelt who provided massive assistance with and coordinating of the project, including discussions regarding the lease, drafting plans for the site, assisting with ideas for the branch fitout and coordinating the build process. Their assistance in this process has been invaluable and greatly appreciated.

So, please take the opportunity, if you have not already done so, to come and check out our new branch.

Over the past year there have been changes both at Board and staff level. In relation to the Board, earlier this year we appointed Natasha Upcott to join Andrew Brown,

Adrian Pitsikas, Doug Savarese, Tim Williams, Brett Hill and myself. I would like to thank all my fellow directors for their hard work, support, and commitment over the past year.

We have had changes to the Branch Manager role. When Gary Mitchell decided to accept a role with another Bank. The Board decided to promote to the position of Manager Adam Clarke who had been with the branch since early 2021.

Recently, Sarah Chambers, who previously held the role as Acting Branch Manager and more recently as Business Development Manager resigned to accept a role with a Mortgage Broker. I would like to thank Sarah for her significant contribution to the Community Bank over the period she has been with us, which cannot be understated. I trust that in her new role she will still be considering the Community Bank and Bendigo Bank in general when assisting her clients.

I also acknowledge Jenny Hammington, our Board's Community Partnership Manager, who is the person whom many of our partners will have met and dealt with over the past year. Jenny is responsible for maintaining our relationships with our existing community partners and developing new partnership opportunities throughout the Mandurah Community, which has been a challenge over the past two and a half years. So, thanks Jenny, your work of behalf of the Board and the company is, as always, greatly appreciated.

Over the 2021/22 year we had a substantial net growth in the amount of business deemed domiciled at our Branch, up from \$203.9M on 30th June 2021 to over \$230.3M on 30th June 2022. This growth is down to the efforts of Adam, Sarah and all the team over that period. On behalf of the Board a massive thank you to all the Staff.

However, while our book has grown to historic highs, there has been a downside, and that was the low interest rates which led to a decline in the amount of income generated on those funds. This decline reached its lowest point in March this year.

In my report last year, I included the following comment.

Based on comments from various financial commentators and those of the Reserve Bank Governor, it appears that low interest rates will be with us for several years to come. Based on the trends the Board is seeing, it appears the earnings rate may have bottomed out.

As we know that changed with a bang in May this year. For those of us with mortgages we have now seen increases in our home loan rates each month since May, while those of us with deposits have seen a welcome increase in earnings rates. These rate increases are having a significant impact on the income now been earned by the company which means the expected result in 2022/23 will be, assuming no unforeseen events, a significant improvement on the past few years.

In this year's audited result before tax, we recorded an operating profit of \$58,131, which compares to an operating profit of \$1,038 for 2020/21. You will note that these are after making significant contributions with respect to Donations and Sponsorships of \$75,788 this year and \$99,050 last year.

The overall financial position of the Company remains strong, with cash reserves of over \$853K and a direct shareholding in Bendigo & Adelaide Bank Ltd of \$194K as of the 30th of June, and shareholder equity, your equity, at \$1.127M, equivalent to \$1.89 per share.

As Shareholders, you have also received a fully franked dividend of 5 cents per share last November. To the date of this report, that now means the company has paid a total \$752,209 in cash dividends, together with the associated imputation credits of \$308,736. This represents cash dividend payments of \$1.27 cents and imputation credits of 52 cents per issued share, an effective return of \$1.78 per share.

Over our 20-year journey, we have contributed directly up to 30th June 2022, \$1.65M directly to our community. The annual direct Donation and Sponsorship figure was lower this year as we made a change to the way we assisted community groups. In 2021/22 year, we ran for the first time a Community Raffle where the Company provided the prizes, and the Community groups retained all the funds they raised. The various community groups raised a total of \$53,135. In the last few months, we ran our second community raffle in which the community groups involved raised over \$86,000.

So, when you add the direct cash contributions together with the funds raised by the Community Raffle and the returns to shareholders over the life of our Company to the 30th of June 2022 this amounts to over \$2.45M. A significant contribution to assist our community.

Mandurah Community Financial Services Limited is a Franchise Bank within the Bendigo and Adelaide Bank network. Our point of difference is as a Community Bank we continue to invest into the local community. We have continued to make contributions during these challenging times to various community groups and organizations

As such, we made contributions to;

- Mandurah Filipino-Australian Multicultural Community Inc
- South Mandurah Tennis Club
- FOMPAC – Friends of the Mandurah Performing Arts Centre
- Mandurah Southern Districts Bushfire Brigade
- Mandurah Triathlon Club
- Heavenly Homes International
- Halls Head Bowling and Recreation Club
- John Tonkin College, Coodanup College, Mandurah Primary School, Falcon Primary School, Halls Head Primary School, Halls Head College, Ocean Road Primary School and South Halls Head Primary School, Lakelands Primary School and Oakwood Primary School in relation to student awards and other activities
- Peel Bright Minds
- Mandurah Community Gardens
- Mandurah Men's Shed
- Mandurah Mustangs

- Mandurah Offshore Sailing & Fishing Club
- Mandurah Performing Arts Centre
- Mandurah Plein Air Artists
- North Mandurah Football & Netball Club
- Peel Community Men's Shed
- Peel Multicultural Association
- Peel Connect
- Peel Thunder Football Club
- TEDx Mandurah
- Wellness Wednesday Group
- Zonta Club of Peel, as well numerous others.

There were also 28 local organisations who participated in the community raffle during 2021/22.

As Community Banking throughout Australia moves into its third decade, please continue to remember the one thing that has not changed is our ongoing commitment to friendly, personalized banking services.

As a shareholder, thank you for your ongoing support. Once again, I put the challenge to you to take the time to help us grow the business of your Community Bank. If every single one of our shareholders, together with all those associated with our various community partners, referred a friend, family member or a work colleague to the Community Bank Halls Head Branch we can continue to grow the business. This in turn means we can continue to work with and assist our current and future community partners.

Finally, a massive thanks to our current staff Adam, Christina, Jade, Kara, Joshua, Michele, Joanna, and Lillian as it is your efforts in helping our customers with their banking and financial needs which makes all the difference.

So, if you, your family, friends, or work colleagues need any banking related services call, or come into the Community Bank Halls Head Branch. Together we can make a Big Difference in our community here in Mandurah.

Ian Ilsley
MCFSL - Chairman

Branch Manager Message

The last financial year produced a solid result for our Community Bank Halls Head, despite challenging circumstances, increased competition and continued low margins as a result of the lower interest rates over this period.

As a branch, we have continued to execute our plan of becoming Mandurah's bank of choice and are inspired by Bendigo Bank's vision daily. We had another good year in the lending and deposit space, which allowed us to see growth on the books. Lending growth by \$3.4m and deposit growth of \$19.4m.

This year we have connected with our wider community through various partnerships. Jenny Hammington, our Community Partnership Manager, has been instrumental in many of these partnerships, bringing the community and the bank closer together. The branch staff have been involved in several events throughout the year as well feeding into the prosperity of our community.

Community Bank Halls Head currently employs a team of 9 staff members. We have had several changes in the past 12 months within the team that have enabled us to grow and succeed as we have.

We sadly said goodbye to some familiar faces, Renae Ellis joined Community Bank Pinjarra. Branch manager Gary Mitchell, Danique Farrell and Connor Turrington moved on to new opportunities within the industry. We thank them for their contributions within the Branch and community and wish them the very best for the future.

We have also seen Kara Jones start her Maternity leave; on behalf of the team I want to wish her well.

With staff changing, that created opportunities within the branch with myself stepping up into the Branch Manager role in April. We welcomed Michele Ivens into the Customer Relationship Officer role. We also welcomed Josh Gates, Jo Murdoch and Lill Willman as Customer Service Officers. Michele and Jo join us with prior banking background. Whilst Josh and Lill join us with experience in the sales and customer service industries. All 4 team members have been fantastic additions to the branch.

Special thanks go to existing staff members Jade Kelly, Christina Penny and Kara Jones. Along with Michele Ivens, Josh Gates, Jo Murdoch and Lill Willman who are the real driving force of the branch and constantly go above and beyond in ensuring our customers financial needs, requirements and well-being are met as well as the members of the Board who have supported the branch's efforts throughout the year.

I would like to take this time to thank our Shareholders and Directors past and present. Keep on believing in the change we are making, for the better of our community and have faith that our mission has never changed over the 19 years we have been open – to feed into the community's prosperity not off it.

Lastly, to our wonderful customers, you are the heart of our organisation. Without your trust and business, we cannot continue to be successful. I thank each and every one of you and ask that you continue to spread the word about the better big bank.

Adam Clarke

Branch Manager

Community Bank Report 2022

BEN Message

July 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,

A handwritten signature in dark ink, appearing to read 'Justine Minne', followed by a period.

Justine Minne
Bendigo and Adelaide Bank

As a shareholder in your local Community Bank, you are part of this incredible social network that is playing an increasingly important role in the Australian economy.

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. It's not uncommon to visit a country town and see the Community Bank logo affixed to public amenities; at the front of schools, and on the perimeter of sporting clubs – such is the breadth and depth of our investments over the years.

The Community Bank network invests via grants, donations and sponsorships that connect with and care for generations of Australians. Funding programs range from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. The Community Bank influence further extends to facilitating and attracting other partners to help subsidise much needed community projects.

The relationship with the Bank, which has been fashioned out of shared effort, risk and reward, is clearly a philosophy that works. Also supporting the network, is the Community Bank National Council (CBNC), which advocates and influences on behalf of the 240 community enterprises with its partners.

The three strategic pillars of the 22-23 CBNC strategy are to:

- Develop a community network strategy to ensure the ongoing sustainability of our community enterprises
- Advocate for and champion the uniqueness and value of our social enterprises
- Unite the network to leverage our community presence and amplify our community impact

All directors and shareholders should feel proud of the network which has collectively delivered enormous impact in our local communities.

We are community builders and investors with a national presence, whilst still retaining grass roots community connections. It's through this unique point of difference, and the commitment of our directors and shareholders, that we are well positioned to embrace the change that is upon us.

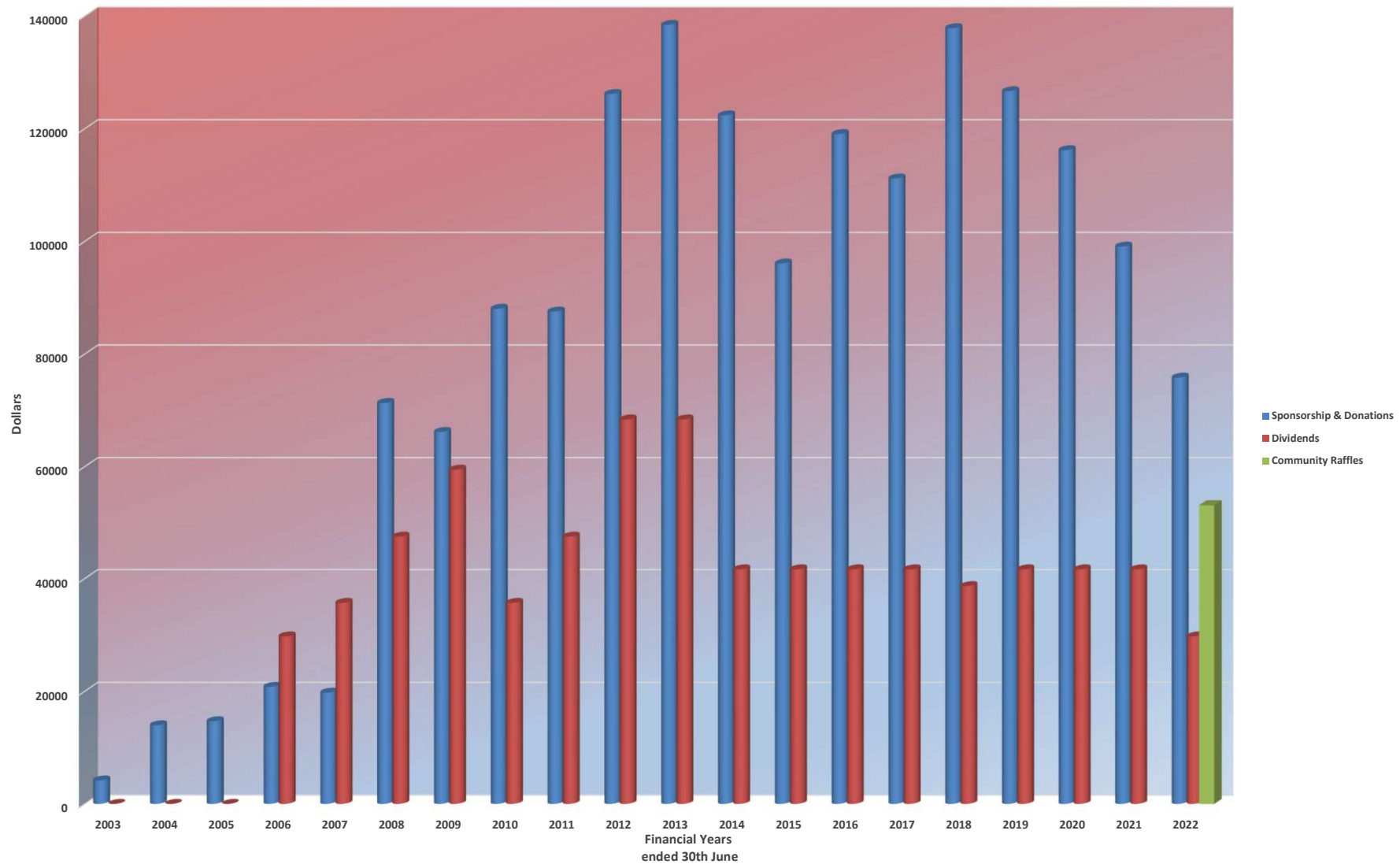
Next year our Community Bank network celebrates 25 years, but in many respects, it's only the beginning for our collective of social enterprises.

Warm regards

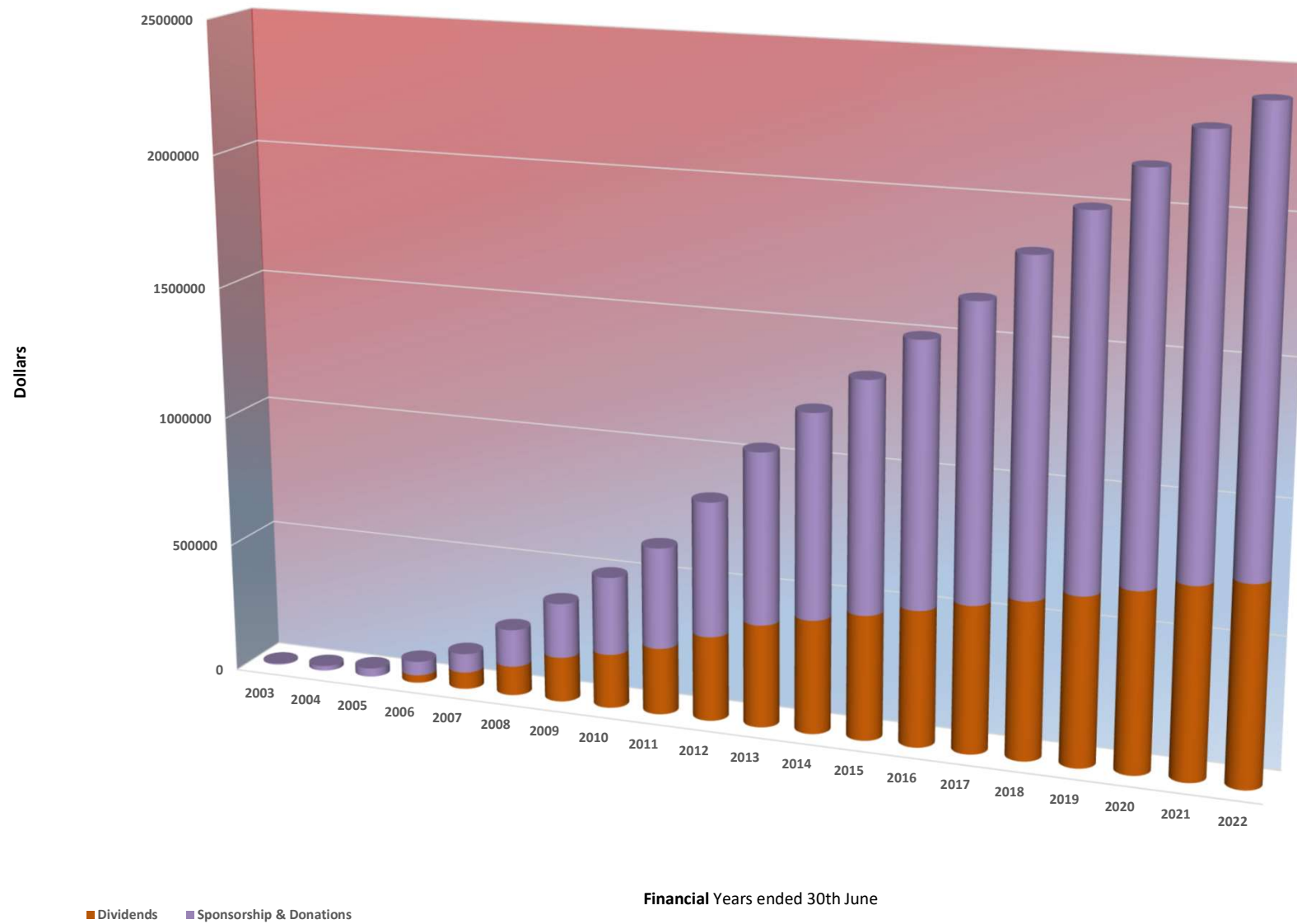
A handwritten signature in blue ink, appearing to read "Sarah Franklyn".

Sarah Franklyn
CBNC Chair

Mandurah Community Financial Services Ltd
Annual Community Direct & Indirect Contributions and Dividends to Shareholders
2003 to 2022



Mandurah Community Financial Services Ltd
Accumulated Community Contributions and Dividends to Shareholders
2003 to 2022



Mandurah Community Financial Services Limited

ABN 56 098 081 308

Financial Report - 30 June 2022

Mandurah Community Financial Services Limited

Directors' report

30 June 2022

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2022.

Directors

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

| | |
|---------------------------|--|
| Name: | Ian James Anson Ilsley |
| Title: | Chair |
| Experience and expertise: | Ian is a director of Ward and Ilsley Partners Pty Ltd, Certified Practicing Accountants. He is currently a member of the School Council of the Frederick Irwin Anglican School. His former roles include: Treasurer of Frederick Irwin Anglican School Parents & Friends Association for 13 years, Treasurer of Mandurah Country Club from 2001 to 2018, board member of the Mandurah Performing Arts Centre from 2008 to 2014, a community representative on the City of Mandurah's Audit & Risk Committee from 2011 to 2019 and a former board member on the Board of John Tonkin College, Mandurah. |
| Special responsibilities: | Chair of the Board, Treasurer, HR Committee, Development Committee |
| Name: | Adrian Paul Pitsikas |
| Title: | Non-executive director |
| Experience and expertise: | Adrian and his brother own and operate Greenacres Turf Group the largest turf producer in Western Australia and have done so for the past 27 years. Adrian is the former Chair of Turf Australia (the industry peak body for the whole of Australia). Adrian holds Diplomas in Horticulture (Turf), Irrigation and Business Management. |
| Special responsibilities: | Finance Committee, Human Resources Committee, Development Committees |
| Name: | Andrew James Brown |
| Title: | Non-executive director |
| Experience and expertise: | Andrew was the owner of the Halls Head Bakers Delight Franchise (10 years) and has Certificate 3 in Small Business Management. He was the business owner of A & J Fabricators which involved 20 years contracting to mining, oil and gas industries. Andrew is a past director of the small business Centre Peel and previous board member of HHCC & Career Enterprise Centre in Mandurah. He also holds a Certificate IV in Workplace Training and Assessment. |
| Special responsibilities: | Chair of Finance Committee, Development Committee |
| Name: | Timothy David Williams |
| Title: | Non-executive director |
| Experience and expertise: | Timothy has extensive experience in community development and engagement. He holds a Bachelor of Arts with double majors in community development and sociology. He has significant experience in local government, high level cross-cultural engagement skills, facilitation skills and strategic development skills. Timothy also has a strong history in working alongside the Aboriginal community. |
| Special responsibilities: | Marketing Committee |
| Name: | Douglas Philip James Savarese |
| Title: | Non-executive director |
| Experience and expertise: | Douglas' experience includes being a Area Manager for Counterpoint Marketing, Assistant Manager at Coles Myer and Newmart Supermarket and Sales/Territory Manager for Kellogg's Australia. Douglas currently owns a private company, Quadbogey Pty Ltd, which has contracts with Australia Post for parcel delivery service. Douglas is also a past Captain of the Mandurah Country Club. |
| Special responsibilities: | Marketing Committee |

Mandurah Community Financial Services Limited

Directors' report

30 June 2022

Name: Horace Brett Hill
Title: Non-executive director
Experience and expertise: Horace retired in May 2017. Volunteer and actively involved in Community Development, Consultation and Engagement. Community leader in Mandurah, Armadale and Bunbury communities working with Winjan Aboriginal Corporation, Wardandi Miya-k Kaadadjiny Aboriginal Corporation (Bunbury) and the local Aboriginal community in Armadale.
Special responsibilities: Deputy Chair, Marketing Committee

Name: Natasha Darlene Upcott
Title: Non-executive director (appointed 24 May 2022)
Experience and expertise: Principal of Mandurah Primary School, Department of Education, Western Australia. Treasurer of Principals Federation of Western Australia. Member of Executive Council. Bachelor of Arts in Education-Teaching.
Special responsibilities: Marketing Committee

Company secretary

The Company secretary is Andrew James Brown. Andrew was appointed to the position of Company secretary on 7 June 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 \$43,257 (30 June 2021: \$10,769).

Operations have continued to perform in line with expectations.

Dividends

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

| | 2022 |
|---|----------------------|
| | \$ |
| Fully franked dividend of 5 cents per share (2021: 7 cents) | <u><u>29,725</u></u> |

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

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

Likely developments

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

Environmental regulation

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

Mandurah Community Financial Services Limited

Directors' report

30 June 2022

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 | | Sponsorship & Marketing Committee | | Audit & Risk Committee | |
|-------------------------------|----------|----------|-----------------------------------|----------|------------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Ian James Anson Ilsley | 12 | 12 | - | - | 5 | 5 |
| Adrian Paul Pitsikas | 12 | 12 | - | - | 5 | 5 |
| Andrew James Brown | 12 | 12 | - | - | 5 | 5 |
| Timothy David Williams | 12 | 10 | 3 | 3 | - | - |
| Douglas Philip James Savarese | 12 | 8 | - | - | - | - |
| Horace Brett Hill | 12 | 11 | 3 | 3 | - | - |
| Natasha Darlene Upcott | 2 | 2 | - | - | - | - |

Eligible: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests

The interest in company shareholdings for each director are:

| | Balance at the start of the year | Changes | Balance at the end of the year |
|-------------------------------|----------------------------------|---------|--------------------------------|
| Ian James Anson Ilsley | 3,500 | - | 3,500 |
| Adrian Paul Pitsikas | - | - | - |
| Andrew James Brown | 500 | - | 500 |
| Timothy David Williams | - | - | - |
| Douglas Philip James Savarese | 2,500 | - | 2,500 |
| Horace Brett Hill | - | - | - |
| Natasha Darlene Upcott | - | - | - |

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*.

Mandurah Community Financial Services Limited

Directors' report

30 June 2022

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 30 to the accounts.

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

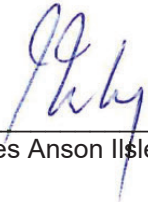
- all non-audit services have been reviewed by the Board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Ian James Anson Ilsey
Chair

30 September 2022



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

As lead auditor for the audit of Mandurah Community Financial Services Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30 September 2022

Joshua Griffin
Lead Auditor

Mandurah Community Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|---|-------------|--------------------|--------------------|
| Revenue from contracts with customers | 6 | 1,075,646 | 983,693 |
| Other revenue | 7 | 11,980 | 44,105 |
| Finance revenue | | 3,050 | 5,412 |
| Gain on remeasurement of right-of-use assets | 8 | 65,743 | - |
| Employee benefits expense | 10 | (615,438) | (624,795) |
| Advertising and marketing costs | | (8,941) | (8,715) |
| Occupancy and associated costs | | (67,142) | (30,885) |
| System costs | | (55,960) | (59,856) |
| Depreciation and amortisation expense | 10 | (61,363) | (98,228) |
| Finance costs | 10 | (12,904) | (25,900) |
| General administration expenses | | (171,613) | (153,509) |
| Fair value gains/(losses) on financial assets | 9 | (29,139) | 68,766 |
| Profit before community contributions and income tax expense | | 133,919 | 100,088 |
| Charitable donations and sponsorships expense | | (75,788) | (99,050) |
| Profit before income tax (expense)/benefit | | 58,131 | 1,038 |
| Income tax (expense)/benefit | 11 | (14,874) | 9,731 |
| Profit after income tax (expense)/benefit for the year | 23 | 43,257 | 10,769 |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year | | 43,257 | 10,769 |
| | | Cents | Cents |
| Basic earnings per share | 32 | 7.28 | 1.81 |
| Diluted earnings per share | 32 | 7.28 | 1.81 |

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

Mandurah Community Financial Services Limited
Statement of financial position
As at 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|--------------------------------|-------------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 12 | 853,464 | 888,120 |
| Trade and other receivables | 13 | 277,251 | 97,047 |
| Current tax assets | 11 | 3,166 | 23,768 |
| Total current assets | | <u>1,133,881</u> | <u>1,008,935</u> |
| Non-current assets | | | |
| Financial assets | 16 | 194,161 | 212,409 |
| Property, plant and equipment | 14 | 38,860 | 49,581 |
| Right-of-use assets | 15 | 351,096 | 381,175 |
| Intangibles | 17 | 61,862 | 8,412 |
| Deferred tax assets | 11 | 26,439 | 37,471 |
| Total non-current assets | | <u>672,418</u> | <u>689,048</u> |
| Total assets | | <u>1,806,299</u> | <u>1,697,983</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | 82,273 | 70,831 |
| Lease liabilities | 19 | 61,290 | 63,854 |
| Employee benefits | 20 | 34,068 | 31,819 |
| Provisions | 21 | 9,214 | - |
| Total current liabilities | | <u>186,845</u> | <u>166,504</u> |
| Non-current liabilities | | | |
| Trade and other payables | 18 | 43,986 | - |
| Lease liabilities | 19 | 406,829 | 384,510 |
| Employee benefits | 20 | 8,723 | 7,620 |
| Provisions | 21 | 32,407 | 25,372 |
| Total non-current liabilities | | <u>491,945</u> | <u>417,502</u> |
| Total liabilities | | <u>678,790</u> | <u>584,006</u> |
| Net assets | | <u>1,127,509</u> | <u>1,113,977</u> |
| Equity | | | |
| Issued capital | 22 | 594,490 | 594,490 |
| Retained earnings | 23 | <u>533,019</u> | <u>519,487</u> |
| Total equity | | <u>1,127,509</u> | <u>1,113,977</u> |

Mandurah Community Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2022

| | Note | Issued capital \$ | Retained earnings \$ | Total equity \$ |
|--|------|-------------------------|----------------------------|-----------------------|
| Balance at 1 July 2020 | | 594,490 | 550,332 | 1,144,822 |
| Profit after income tax expense | | - | 10,769 | 10,769 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Dividends provided for | 25 | - | (41,614) | (41,614) |
| Balance at 30 June 2021 | | <u>594,490</u> | <u>519,487</u> | <u>1,113,977</u> |
| Balance at 1 July 2021 | | 594,490 | 519,487 | 1,113,977 |
| Profit after income tax expense | | - | 43,257 | 43,257 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Dividends provided for | 25 | - | (29,725) | (29,725) |
| Balance at 30 June 2022 | | <u>594,490</u> | <u>533,019</u> | <u>1,127,509</u> |

Mandurah Community Financial Services Limited
Statement of cash flows
For the year ended 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|--|-------------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 1,126,845 | 1,057,000 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(1,091,419)</u> | <u>(1,003,146)</u> |
| | | 35,426 | 53,854 |
| Dividends received | | - | 5,517 |
| Interest received | | 2,598 | 5,555 |
| Income taxes refunded/(paid) | | <u>16,760</u> | <u>(11,907)</u> |
| Net cash provided by operating activities | 31 | <u>54,784</u> | <u>53,019</u> |
| Cash flows from investing activities | | | |
| Payments for investments | | - | (5,511) |
| Payments for property, plant and equipment | | - | (6,708) |
| Payments for intangibles | | <u>(13,329)</u> | <u>(11,559)</u> |
| Net cash used in investing activities | | <u>(13,329)</u> | <u>(23,778)</u> |
| Cash flows from financing activities | | | |
| Dividends paid | 25 | (29,725) | (41,614) |
| Repayment of lease liabilities | 19 | <u>(46,386)</u> | <u>(90,605)</u> |
| Net cash used in financing activities | | <u>(76,111)</u> | <u>(132,219)</u> |
| Net decrease in cash and cash equivalents | | (34,656) | (102,978) |
| Cash and cash equivalents at the beginning of the financial year | | <u>888,120</u> | <u>991,098</u> |
| Cash and cash equivalents at the end of the financial year | 12 | <u><u>853,464</u></u> | <u><u>888,120</u></u> |

Mandurah Community Financial Services Limited

Notes to the financial statements

30 June 2022

Note 1. Reporting entity

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

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

Registered office

Ward & Ilsley Partners Pty Ltd
55C Mandurah Terrace
Mandurah WA 6210

Principal place of business

Halls Head Shopping
Shop 5 Halls Head Central Shopping Centre
Halls Head WA 6210

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation and statement of compliance

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

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

Current and non-current classification

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

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

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

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

Mandurah Community Financial Services Limited

Notes to the financial statements

30 June 2022

Note 3. Significant accounting policies (continued)

Impairment

Non-derivative financial assets

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2022.

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

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

Fair value measurement hierarchy

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

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

Estimation of useful lives of assets

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Recovery of deferred tax assets

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

Lease term

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

Incremental borrowing rate

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

Employee benefits provision

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

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

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

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

Lease make good provision

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

Note 5. Economic dependency

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

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

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

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

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

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

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

Note 6. Revenue from contracts with customers

| | 2022 | 2021 |
|---------------------------------------|------------------|----------------|
| | \$ | \$ |
| Margin income | 914,439 | 831,924 |
| Fee income | 103,679 | 100,007 |
| Commission income | 57,528 | 51,762 |
| | <hr/> | <hr/> |
| Revenue from contracts with customers | <u>1,075,646</u> | <u>983,693</u> |

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 6. Revenue from contracts with customers (continued)

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. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 6. Revenue from contracts with customers (continued)

Ability to change financial return

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

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

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

Note 7. Other revenue

| | 2022 \$ | 2021 \$ |
|----------------------------------|---------------|---------------|
| Cash flow boost | - | 37,500 |
| Dividend and distribution income | 10,894 | 5,517 |
| Other income | 1,086 | 1,088 |
| | <hr/> | <hr/> |
| Other revenue | <u>11,980</u> | <u>44,105</u> |

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

Revenue stream

Cash flow boost

Other income

Dividend and distribution income

Revenue recognition policy

Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

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

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

All revenue is stated net of the amount of GST.

Cash flow boost

In response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 8. Gain on remeasurement of right-of-use assets

| | 2022 | 2021 |
|---|---------------|-------------|
| | \$ | \$ |
| Gain on disposal of right-of-use assets | <u>65,743</u> | <u>-</u> |

During the period the company elected not to exercise the final 5 year extension option for the Shop 7 Peelwood Parade in favor of moving to a new branch at Shop 5 Halls Head Central Shopping Centre. Upon vacating the branch in March 2022 the company no longer receives any economic benefit from the right-of-use asset, and as such is has been remeasured to \$0. As a result of the remeasurement an accounting gain was recognised.

Note 9. Fair value gains/(losses) on financial assets

| | 2022 | 2021 |
|---|---------------|-----------------|
| | \$ | \$ |
| Fair value gains/(losses) on financial assets | <u>29,139</u> | <u>(68,766)</u> |

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

Note 10. Expenses

Depreciation and amortisation expense

| | 2022 | 2021 |
|--|---------------|---------------|
| | \$ | \$ |
| <i>Depreciation of non-current assets</i> | | |
| Plant and equipment | 3,199 | 3,951 |
| Motor vehicles | <u>7,522</u> | <u>7,522</u> |
| | <u>10,721</u> | <u>11,473</u> |
| <i>Depreciation of right-of-use assets</i> | | |
| Leased land and buildings | <u>39,096</u> | <u>75,563</u> |
| <i>Amortisation of intangible assets</i> | | |
| Franchise fee | 2,219 | 2,238 |
| Franchise renewal fee | <u>9,327</u> | <u>8,954</u> |
| | <u>11,546</u> | <u>11,192</u> |
| | <u>61,363</u> | <u>98,228</u> |

Finance costs

| | 2022 | 2021 |
|----------------------------------|---------------|---------------|
| | \$ | \$ |
| Lease interest expense | 11,824 | 24,766 |
| Unwinding of make-good provision | 1,078 | 1,134 |
| Other | <u>2</u> | <u>-</u> |
| | <u>12,904</u> | <u>25,900</u> |

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 10. Expenses (continued)

Employee benefits expense

| | 2022 | 2021 |
|--|----------------|----------------|
| | \$ | \$ |
| Wages and salaries | 528,021 | 559,490 |
| Non-cash benefits | 12,870 | 12,870 |
| Superannuation contributions | 53,355 | 49,578 |
| Expenses related to long service leave | 2,404 | (11,177) |
| Other expenses | 18,788 | 14,034 |
| | <u>615,438</u> | <u>624,795</u> |

Leases recognition exemption

| | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| | \$ | \$ |
| Expenses relating to low-value leases | <u>27,590</u> | <u>30,093</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 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

Note 11. Income tax

| | 2022 | 2021 |
|---|---------------|----------------|
| | \$ | \$ |
| <i>Income tax expense/(benefit)</i> | | |
| Movement in deferred tax | 13,316 | 13,569 |
| Under/over adjustment | 3,843 | - |
| Reduction in company tax rate | - | 1,499 |
| Recoupment of prior year tax losses | 2,384 | - |
| Future income tax benefit attributable to losses | - | (22,435) |
| Excess franking credits converted to tax losses | (4,669) | (2,364) |
| | <u>14,874</u> | <u>(9,731)</u> |
| Aggregate income tax expense/(benefit) | | |
| <i>Prima facie income tax reconciliation</i> | | |
| Profit before income tax (expense)/benefit | <u>58,131</u> | <u>1,038</u> |
| Tax at the statutory tax rate of 25% (2021: 26%) | 14,533 | 270 |
| Tax effect of: | | |
| Non-assessable income | 1,167 | (11,500) |
| Reduction in company tax rate | - | 1,499 |
| Net benefit of franking credits on dividends received | (4,669) | - |
| | <u>11,031</u> | <u>(9,731)</u> |
| Under/over adjustment | <u>3,843</u> | <u>-</u> |
| Income tax expense/(benefit) | <u>14,874</u> | <u>(9,731)</u> |

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 11. Income tax (continued)

| | 2022 \$ | 2021 \$ |
|---|--------------------|--------------------|
| <i>Deferred tax assets/(liabilities)</i> | | |
| Tax losses | 10,299 | 8,014 |
| Employee benefits | 10,698 | 10,611 |
| Provision for lease make good | 10,405 | 6,343 |
| Accrued expenses | 4,470 | 5,004 |
| Income accruals | (289) | (176) |
| Lease liabilities | 117,030 | 112,091 |
| Right-of-use assets | (125,274) | (95,294) |
| Property, plant and equipment | (5,486) | (6,354) |
| Financial assets at fair value through profit or loss | 6,866 | (418) |
| Prepayments | (2,280) | (2,350) |
| Deferred tax asset | <u>26,439</u> | <u>37,471</u> |
| | 2022 \$ | 2021 \$ |
| Income tax refund due | <u>3,166</u> | <u>23,768</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 for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

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

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 12. Cash and cash equivalents

| | 2022 | 2021 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Cash at bank and on hand | 743,954 | 78,610 |
| Term deposits | 109,510 | 809,510 |
| | <u>853,464</u> | <u>888,120</u> |

Accounting policy for cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

Note 13. Trade and other receivables

| | 2022 | 2021 |
|--------------------------------|----------------|---------------|
| | \$ | \$ |
| Trade receivables | 116,966 | 73,436 |
| Other receivables and accruals | 150,010 | 13,506 |
| Accrued income | 1,157 | 705 |
| Prepayments | 9,118 | 9,400 |
| | <u>160,285</u> | <u>23,611</u> |
| | <u>277,251</u> | <u>97,047</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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 14. Property, plant and equipment

| | 2022 | 2021 |
|--------------------------------|---------------|---------------|
| | \$ | \$ |
| Plant and equipment - at cost | 290,245 | 290,245 |
| Less: Accumulated depreciation | (281,279) | (278,080) |
| | <u>8,966</u> | <u>12,165</u> |
| Motor vehicles - at cost | 60,168 | 60,168 |
| Less: Accumulated depreciation | (30,274) | (22,752) |
| | <u>29,894</u> | <u>37,416</u> |
| | <u>38,860</u> | <u>49,581</u> |

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Note 14. Property, plant and equipment (continued)

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

| | Plant and equipment \$ | Motor vehicles \$ | Total \$ |
|-------------------------|------------------------------|-------------------------|---------------|
| Balance at 1 July 2020 | 9,408 | 44,938 | 54,346 |
| Additions | 6,708 | - | 6,708 |
| Depreciation | (3,951) | (7,522) | (11,473) |
| Balance at 30 June 2021 | 12,165 | 37,416 | 49,581 |
| Depreciation | (3,199) | (7,522) | (10,721) |
| Balance at 30 June 2022 | <u>8,966</u> | <u>29,894</u> | <u>38,860</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 diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

| | |
|---------------------|--------------|
| Plant and equipment | 1 to 8 years |
| Motor vehicles | 8 years |

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

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 15. Right-of-use assets

| | 2022 \$ | 2021 \$ |
|-----------------------------------|----------------|----------------|
| Land and buildings - right-of-use | 742,989 | 733,971 |
| Less: Accumulated depreciation | (391,893) | (352,796) |
| | <u>351,096</u> | <u>381,175</u> |

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Note 15. Right-of-use assets (continued)

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

| | Land and buildings \$ | Total \$ |
|---------------------------|-----------------------------|----------------|
| Balance at 1 July 2020 | 572,634 | 572,634 |
| Remeasurement adjustments | (115,896) | (115,896) |
| Depreciation expense | (75,563) | (75,563) |
| Balance at 30 June 2021 | 381,175 | 381,175 |
| Additions | 357,047 | 357,047 |
| Remeasurement adjustments | (348,030) | (348,030) |
| Depreciation expense | (39,096) | (39,096) |
| Balance at 30 June 2022 | <u>351,096</u> | <u>351,096</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 19 for more information on lease arrangements.

Note 16. Financial assets

| | 2022 \$ | 2021 \$ |
|---|----------------|----------------|
| Equity securities - designated at fair value through profit or loss | <u>194,161</u> | <u>212,409</u> |

Accounting policy for financial assets

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

Note 17. Intangibles

| | 2022 \$ | 2021 \$ |
|--------------------------------|---------------|--------------|
| Franchise fee | 122,025 | 111,192 |
| Less: Accumulated amortisation | (111,714) | (109,495) |
| | <u>10,311</u> | <u>1,697</u> |
| Franchise renewal fee | 98,932 | 44,769 |
| Less: Accumulated amortisation | (47,381) | (38,054) |
| | <u>51,551</u> | <u>6,715</u> |
| | <u>61,862</u> | <u>8,412</u> |

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Note 17. Intangibles (continued)

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

| | Franchise fee \$ | Franchise renewal fee \$ | Total \$ |
|-------------------------|---------------------|--------------------------------|---------------|
| Balance at 1 July 2020 | 3,935 | 15,669 | 19,604 |
| Amortisation expense | (2,238) | (8,954) | (11,192) |
| Balance at 30 June 2021 | 1,697 | 6,715 | 8,412 |
| Additions | 10,833 | 54,163 | 64,996 |
| Amortisation expense | (2,219) | (9,327) | (11,546) |
| Balance at 30 June 2022 | <u>10,311</u> | <u>51,551</u> | <u>61,862</u> |

Additions

During the financial year the franchise fee was renewed. This is to be amortised over five years to April 2027.

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) | April 2027 |
| Franchise renewal fee | Straight-line | Over the franchise term (5 years) | April 2027 |

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

Change in estimates

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

Note 18. Trade and other payables

| | 2022 \$ | 2021 \$ |
|--------------------------------|---------------|---------------|
| Current liabilities | | |
| Trade payables | 7,121 | 4,743 |
| Other payables and accruals | <u>75,152</u> | <u>66,088</u> |
| | <u>82,273</u> | <u>70,831</u> |
| Non-current liabilities | | |
| Other payables and accruals | <u>43,986</u> | <u>-</u> |

Mandurah Community Financial Services Limited
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Note 18. Trade and other payables (continued)

Accounting policy for trade and other payables

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

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

Note 19. Lease liabilities

| | 2022 | 2021 |
|--|----------------|----------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Land and buildings lease liabilities | 80,524 | 83,070 |
| Unexpired interest | (19,234) | (19,216) |
| | <u>61,290</u> | <u>63,854</u> |
| <i>Non-current liabilities</i> | | |
| Land and buildings lease liabilities | 443,813 | 429,647 |
| Unexpired interest | (36,984) | (45,137) |
| | <u>406,829</u> | <u>384,510</u> |
| <i>Reconciliation of lease liabilities</i> | | |
| | 2022 | 2021 |
| | \$ | \$ |
| Opening balance | 448,364 | 630,099 |
| Additional lease liabilities recognised | 474,755 | - |
| Remeasurement adjustments | (420,438) | (115,896) |
| Lease interest expense | 11,824 | 24,766 |
| Lease payments - total cash outflow | (46,386) | (90,605) |
| | <u>468,119</u> | <u>448,364</u> |
| <i>Maturity analysis</i> | | |
| | 2022 | 2021 |
| | \$ | \$ |
| Not later than 12 months | 80,524 | 83,070 |
| Between 12 months and 5 years | 443,813 | 357,959 |
| Greater than 5 years | - | 71,688 |
| | <u>524,337</u> | <u>512,717</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 fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

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Note 19. Lease liabilities (continued)

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

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

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

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

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

The company's lease portfolio includes:

| | |
|---|---|
| Shop 7 Peelwood Parade | The lease agreement commenced in March 2017 for 5 years. In March 2022 the company elected not to exercise the final 5 year renewal option available and vacate the premises. As such, the lease term end date used in the calculation of the lease liability is March 2022. The discount rate used in calculations is 4.58%. |
| Shop 5 Halls Head Central Shopping Centre | The lease agreement commenced in June 2022 for a non-cancellable term of 5 years. The company has no extension options available. As such, the lease term end date used in the calculation of the lease liability is May 2027. The discount rate used in calculations is 4.29%. |

Remeasurement adjustments

The company has determined it is no longer reasonably certain to exercise the extension options available for the Shop 7 Peelwood Parade lease due to electing to relocate the branch to Shop 7 Halls Head Village Shopping Centre. As such a remeasurement of the right-of-use asset, lease liability and make-good provision occurred using the closure date of 31 March 2022.

Note 20. Employee benefits

| | 2022 \$ | 2021 \$ |
|--------------------------------|---------------|---------------|
| <i>Current liabilities</i> | | |
| Annual leave | 24,415 | 23,467 |
| Long service leave | 9,653 | 8,352 |
| | <u>34,068</u> | <u>31,819</u> |
| <i>Non-current liabilities</i> | | |
| Long service leave | <u>8,723</u> | <u>7,620</u> |

Accounting policy for employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

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Note 20. Employee benefits (continued)

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as salaries and wages are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Superannuation contributions

Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

Note 21. Provisions

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| <i>Current liabilities</i> | | |
| Lease make good | 9,214 | - |
| <i>Non-current liabilities</i> | | |
| Lease make good | 32,407 | 25,372 |
| <i>Reconciliation of lease make good provision</i> | | |
| | 2022 \$ | 2021 \$ |
| Balance at the beginning | 25,372 | 24,238 |
| Face-value of make good costs recognised | 32,292 | - |
| Present value unwinding | 1,078 | 1,134 |
| Provision remeasurements | (7,907) | - |
| Settlement of provision | (9,214) | - |
| | 41,621 | 25,372 |

Lease make good

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. Lease expiry dates are per below, at which time it is expected the face-value costs to restore the premises will fall due. It is expected the company will be required to make good Shop 7 Peelwood Parade within the next 12 months.

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Note 21. Provisions (continued)

| <u>Lease</u> | <u>Lease term expiry date per AASB 16</u> | <u>Estimated provisions</u> |
|---|---|-----------------------------|
| Shop 7 Peelwood Parade | March 2022 | \$9,214 |
| Shop 5 Halls Head Village Shopping Centre | May 2027 | \$40,000 |

Accounting policy for provisions

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

Note 22. Issued capital

| | 2022 Shares | 2021 Shares | 2022 \$ | 2021 \$ |
|------------------------------|------------------------|------------------------|--------------------|--------------------|
| Ordinary shares - fully paid | <u>594,490</u> | <u>594,490</u> | <u>594,490</u> | <u>594,490</u> |

Accounting policy for issued capital

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

Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

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Note 22. Issued capital (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 397. As at the date of this report, the company had 412 shareholders (2021: 411 shareholders).

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

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

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

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

Note 23. Retained earnings

| | 2022 | 2021 |
|--|----------------|----------------|
| | \$ | \$ |
| Retained earnings at the beginning of the financial year | 519,487 | 550,332 |
| Profit after income tax (expense)/benefit for the year | 43,257 | 10,769 |
| Dividends paid (note 25) | (29,725) | (41,614) |
| | <u>533,019</u> | <u>519,487</u> |
| Retained earnings at the end of the financial year | <u>533,019</u> | <u>519,487</u> |

Note 24. 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%.

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Note 24. 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 25. 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.

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Fully franked dividend of 5 cents per share (2021: 7 cents) | 29,725 | 41,614 |

Franking credits

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Franking account balance at the beginning of the financial year | 315,985 | 316,335 |
| Franking credits (debits) arising from income taxes paid (refunded) | (20,602) | 11,907 |
| Franking debits from the payment of franked distributions | (9,908) | (14,621) |
| Franking credits from franked distributions received | 4,669 | 2,364 |
| | 290,144 | 315,985 |

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

| | | |
|---|---------|----------|
| Balance at the end of the financial year | 290,144 | 315,985 |
| Franking credits (debits) that will arise from payment (refund) of income tax | (3,166) | (23,768) |
| Franking credits available for future reporting periods | 286,978 | 292,217 |

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 26. Financial instruments

| | 2022 \$ | 2021 \$ |
|------------------------------|------------|------------|
| Financial assets | | |
| Trade and other receivables | 268,133 | 87,647 |
| Cash and cash equivalents | 853,464 | 888,120 |
| Financial assets | 194,161 | 212,409 |
| | 1,315,758 | 1,188,176 |
| Financial liabilities | | |
| Trade and other payables | 126,259 | 70,831 |
| Lease liabilities | 468,119 | 448,364 |
| | 594,378 | 519,195 |

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Note 26. Financial instruments (continued)

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, lease liabilities and equity securities.

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

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.

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.

The primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

Equity Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$853,464 at 30 June 2022 (2021: \$888,120). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Credit risk

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

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

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Note 26. Financial instruments (continued)

Liquidity risk

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

Exposure to liquidity risk

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

| | 1 year or less \$ | Between 1 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------|----------------------|--------------------------------|--------------------|--|
| 2022 | | | | |
| Non-derivatives | | | | |
| Trade and other payables | 82,273 | 43,986 | - | 126,259 |
| Lease liabilities | 80,524 | 443,813 | - | 524,337 |
| Total non-derivatives | 162,797 | 487,799 | - | 650,596 |
| | | | | |
| | 1 year or less \$ | Between 1 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
| 2021 | | | | |
| Non-derivatives | | | | |
| Trade and other payables | 70,831 | - | - | 70,831 |
| Lease liabilities | 83,070 | 357,959 | 71,688 | 512,717 |
| Total non-derivatives | 153,901 | 357,959 | 71,688 | 583,548 |

Note 27. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

| | Level 1 \$ |
|-------------------|---------------|
| 2022 | |
| Assets | |
| Equity securities | 194,161 |
| Total assets | 194,161 |
| | |
| | Level 1 \$ |
| 2021 | |
| Assets | |
| Equity securities | 212,409 |
| Total assets | 212,409 |

There were no transfers between levels during the financial year.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 27. Fair value measurement (continued)

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Note 28. Key management personnel disclosures

The following persons were directors of Mandurah Community Financial Services Limited during the financial year:

| | |
|------------------------|-------------------------------|
| Ian James Anson Ilsley | Douglas Philip James Savarese |
| Adrian Paul Pitsikas | Horace Brett Hill |
| Andrew James Brown | Natasha Darlene Upcott |
| Timothy David Williams | |

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 29. Related party transactions

The following transactions occurred with related parties:

| | 2022 | 2021 |
|---|-------------|-------------|
| | \$ | \$ |
| Ian Ilsley is a director of Ward & Ilsley Partners Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit Ward & Ilsley Partners Pty Ltd received was: | 41,090 | 34,720 |

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 30. Remuneration of auditors

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

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| <i>Audit services</i> | | |
| Audit or review of the financial statements | 5,200 | 5,000 |
| <i>Other services</i> | | |
| General advisory services | 2,280 | 1,890 |
| Share registry services | 5,573 | 5,800 |
| | 7,853 | 7,690 |
| | 13,053 | 12,690 |

Note 31. Reconciliation of profit after income tax to net cash provided by operating activities

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Profit after income tax (expense)/benefit for the year | 43,257 | 10,769 |
| Adjustments for: | | |
| Depreciation and amortisation | 61,363 | 98,228 |
| Net gain on disposal of non-current assets | (65,743) | - |
| (Increase)/decrease in fair value of equity instruments designated at FVTPL | 29,139 | (68,766) |
| Income reinvested in financial assets | (10,891) | (5,511) |
| Lease liabilities interest | 11,824 | 24,766 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (30,204) | 10,330 |
| Decrease in income tax refund due | 20,602 | - |
| Decrease/(increase) in deferred tax assets | 11,032 | (9,160) |
| Increase in other operating assets | (18,248) | - |
| Increase in trade and other payables | 22,009 | 12,801 |
| Decrease in deferred tax liabilities | - | (6,968) |
| Increase/(decrease) in employee benefits | 3,352 | (14,604) |
| Increase/(decrease) in other provisions | (22,708) | 1,134 |
| Net cash provided by operating activities | 54,784 | 53,019 |

Note 32. Earnings per share

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Profit after income tax | 43,257 | 10,769 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 594,490 | 594,490 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 594,490 | 594,490 |

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2022

Note 32. Earnings per share (continued)

| | Cents | Cents |
|----------------------------|-------|-------|
| Basic earnings per share | 7.28 | 1.81 |
| Diluted earnings per share | 7.28 | 1.81 |

Accounting policy for earnings per share

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

Note 33. Commitments

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

Note 34. Contingencies

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

Note 35. Events after the reporting period

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

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


Mandurah Community Financial Services Limited
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Ian James Anson Ilesley
Chair

30 September 2022



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Independent auditor's report to the Directors of Mandurah Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mandurah Community Financial Services Limited's (the company), which comprises:

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

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

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

Basis for Opinion

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

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

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



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Other Information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

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

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

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

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30 September 2022

Joshua Griffin
Lead Auditor

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Mandurah Community Financial Service Ltd