

Annual Report 2023

Mandurah Community Financial
Services Limited

Community Bank
Halls Head

ABN 56 098 081 308

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Chair of the Board Message

Dear Shareholder

I am pleased to present to you the 21st Annual Report of Mandurah Community Financial Services Limited, known to you as the Community Bank Halls Head. The 2022/23 financial year represents our most profitable year in the history of our company.

Firstly, on a sad note, I wish to acknowledge the passing of Allan Raynor in July this year. Allan was the original steering committee Chair and the first Chair of our company. On behalf of the current and past directors, staff and shareholders I wish to pass on our condolences to Allan's widow Cheryl, herself a director on the original board, and all Allan's family and friends. It was the drive and commitment of those first directors which led to the establishment of our company and to the opening of our Community Bank branch, which has in turn meant we have been able to make a significant contribution to our community. It was tremendous that Allan was able to attend the official opening of the new branch in August last year, I for one will treasure that memory.

This year marks 21 years since the Community Bank Halls Head opened at the original branch site at the Halls Head Shopping Centre back in April 2002. Over this period our company has been able to make significant and ongoing contributions directly to our community by way of donations and sponsorships and through the various partnerships we have had and continue have with community groups both large and small here in Mandurah. As of the 30th June 2023 the Company's direct contributions to community amounted to \$1.77M, together with \$142K in funds raised by community groups as part of our Community Bank raffles. In addition, to date we have paid over \$793K in dividends to you, our shareholders.

When you add the direct cash contributions together with the funds raised by the Community Raffle and the returns to shareholders. In addition, over the life of our Company to the 30th of June 2023 this amounts to over \$2.71M. It represents a significant contribution to the life of our community.

For our Community Bank to be in the position to make these contributions to our community we depend on our staff to meet customers' banking needs which generates the income. On behalf of the Board, I would like to thank Adam Clarke our branch manager and the branch staff Jade Kelly, Joshua Gates, Michele Ivens, Jonna Murdoch, Lillian Willman, Nakita Giuffre and Larissa Cagney, as it is your efforts in helping our customers with their banking and financial needs which makes all the difference. I would also like to acknowledge the support of Paul Tribbeck, the Regional Manager of Bendigo & Adelaide Bank Ltd for his support for our Community Bank and our board, it greatly appreciated.

In relation to Community Engagement, I acknowledge the tremendous work undertaken by Jenny Hammington, our Board's Community Partnership Manager. Jenny is in many ways the public face of the company and the person whom our partners will have met and dealt with over the past year. Jenny continues to be responsible for maintaining our relationships with our existing community partners and developing new partnership opportunities throughout the Mandurah Community. On behalf of the board, thank you Jenny for your untiring work and dedication to the role, company and community which is, as always, greatly appreciated.

I would also like to formally acknowledge and thank all my fellow directors, Andrew Brown, Adrian Pitsikas, Doug Savarese, Tim Williams, Brett Hill and Natasha Upcott for their hard work, support, and commitment over the past year.

As we know, back in May last year we saw the first of 12 official interest rate rises to the current rate of 4.10%. For those of us with mortgages we have now seen increases in our

home loan rates since May 2022, while those of us with deposits have seen a welcome increase in earnings rates. These rate increases had a significant impact on the income earned by the company in 2022/23. Due market conditions the earning rates for the 2023/24 are expected to go down compared to those of 2022/23. They are however, anticipated to still be a significant improvement on the past few years.

Over the 2022/23 year we had a substantial net growth in the amount of business deemed domiciled at our Branch, up from \$230.3M on 30th June 2022 to over \$245.3M on 30th June 2023. This growth is a result of the efforts of Adam and all the team in growing our business over that period. On behalf of the Board a massive thank you to all the Staff.

In this year's audited result before tax, we recorded an operating profit of \$973,401, which compares to an operating profit of \$58,131 for 2021/22. You will note that these are after making significant contributions in Donations and Sponsorships of \$116,165 this year and \$75,788 last year.

The overall financial position of the Company remains strong, with cash reserves of over \$1.372M and a direct shareholding in Bendigo & Adelaide Bank Ltd of \$195K as of the 30th of June, with shareholder equity, your equity, at \$1.819M, equivalent to \$3.06 per share.

As Shareholders, you have also received a fully franked dividend of 7 cents per share last November. To the date of this report, that now means the company has paid a total \$793,644 in cash dividends, together with the associated imputation credits of \$322,795. This represents cash dividend payments of \$1.34 cents and imputation credits of 54 cents per issued share, an effective return of \$1.88 per share.

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

As such, we made contributions to;

- Dudley Park Bowling Club
- East Lake Church
- Elevation Church
- FOMPAC – Friends of the Mandurah Performing Arts Centre
- Fury Basketball Club
- Halls Head Bowling and Recreation Club
- John Tonkin College, Coodanup College, Mandurah Primary School, Falcon Primary School, Halls Head Primary School, Halls Head College and Ocean Road Primary School in relation to student awards and other activities
- Lions Club Falcon
- Mandurah Autism Academy
- Mandurah Bowling & Recreation Club
- Mandurah Community Gardens
- Mandurah Filipino-Australian Multicultural Community Inc
- Mandurah Men's Shed
- Mandurah Motorcycle Charity Ride Association
- Mandurah Mustangs
- Mandurah Offshore Sailing & Fishing Club
- Mandurah Performing Arts Centre
- Mandurah Plein Air Artists
- North Mandurah Football & Netball Club
- Peel Bright Minds

- Peel Community Kitchen
- Peel District Touch Association
- Peel Football and Netball League Inc
- Peel Multicultural Association
- Ripple Ability
- Rotary Clubs of Mandurah
- Seascapes Community Association
- St John Ambulance Australia (WA) In

There were also 42 local organizations who participated in the community raffle during 2022/23.

As the Community Banking model throughout Australia moves into its third decade, please continue to remember that 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.

So, as I have said over the past few years, 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 continue to make a Big Difference in our community here in Mandurah.

Ian Ilsley
MCFSL - Chairman

Manager's Report

For year ending 30 June 2023

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

As a Community Bank 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, which allowed us to see growth on the book.

This year Mandurah Community Financial Services Limited 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 Community 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 nine staff members. We have had a couple of 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, Christina Penny, and Sarah Chambers both moving on from the branch. Both played big parts in the growth of the business, and 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 not return from her leave; on behalf of the team, I want to wish her well in her future endeavors.

With staff changing, that created opportunities within the branch. We welcomed Nakita Giuffre into the Customer Service Officer role and Larissa Cagney into the Customer Relationship Manager role. After a fantastic start to his journey with us we saw Josh Gates be promoted in the Customer Relationship Officer role. All three appointments have been fantastic for the company.

Along with Nakita and Larissa, special thanks go to existing staff members Jade Kelly, 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 21 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 2023
BEN Message
August 2023

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

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

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

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

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

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

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank



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

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

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

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

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

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

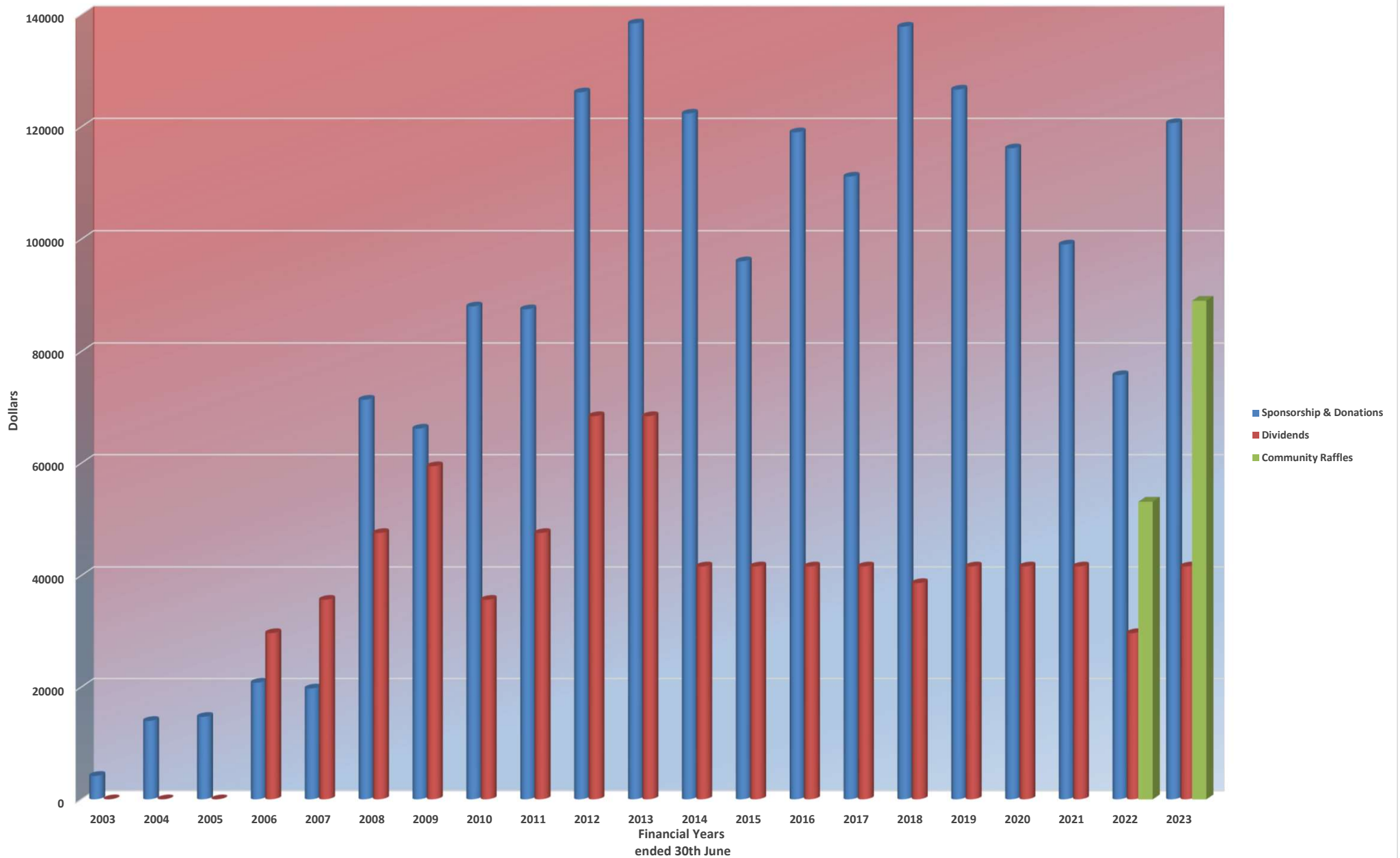
The Community Bank National Council (CBNC) is the voice of the Community Bank network. The role of the CBNC is to advocate and influence on behalf of the 240 community enterprises with its partner. It has also been the role of the CBNC to oversee the development of the Community Network Strategy which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

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

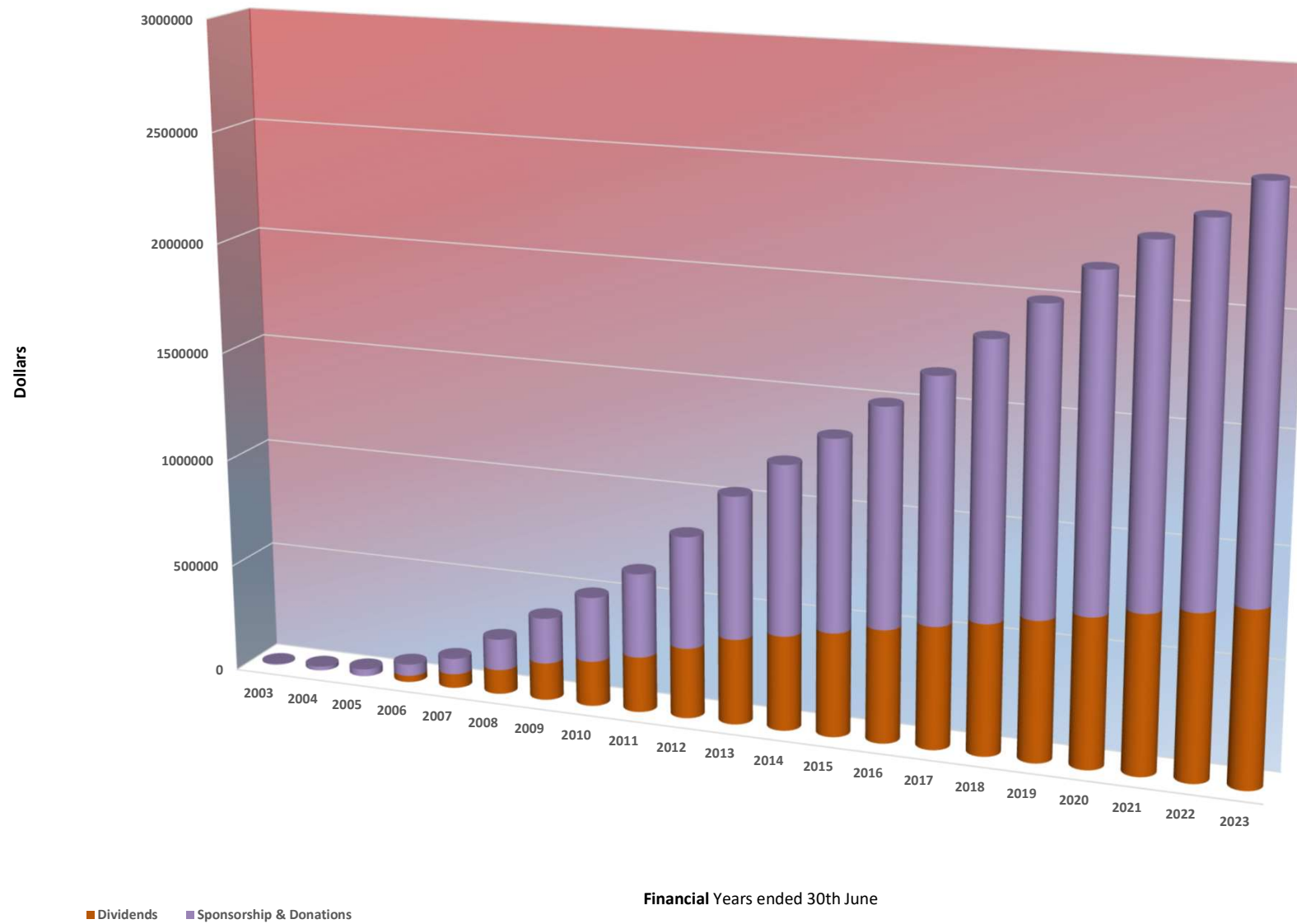
Warm regards

Sarah Franklyn
CBNC Chair

Mandurah Community Financial Services Ltd
Annual Community Direct & Indirect Contributions and Dividends to Shareholders
2003 to 2023



Mandurah Community Financial Services Ltd
Accumulated Community Contributions and Dividends to Shareholders
2003 to 2023



Mandurah Community Financial Services Limited

ABN 56 098 081 308

Financial Report - 30 June 2023

Mandurah Community Financial Services Limited

Directors' report

30 June 2023

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

Directors

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

Name: Ian James Anson Ilsley
Title: Non-executive director
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 previously had 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 2023

Name: Horace Brett Hill
Title: Non-executive director
Experience and expertise: Retired, mentor, Cultural Advisor, actively involved in Community Development, Community Consultant/Facilitator, Community Leader in Mandurah, Armadale, Bunbury and Narrogin. Board/Committee member of Winjan Aboriginal Corporation - Mandurah, Chairperson of Wardandi Miya-k Kaadadjiny Aboriginal Corporation - Bunbury, Chairperson of Wilman (Dryandra) People Aboriginal Corporation - Narrogin and the local Aboriginal community in Armadale.
Special responsibilities: Deputy Chair, Marketing Committee

Name: Natasha Darlene Upcott
Title: Non-executive director
Experience and expertise: Principal Mandurah Primary School, Network Principal, Mandurah School Network (MSN). Treasurer, Executive Member of Council PFWA (Principals Federation of Western Australia). Bachelor of Arts (Education) Murdoch University.
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 \$733,931 (30 June 2022: \$43,257).

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

Dividends

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

	2023 \$
Fully franked dividend of 7 cents per share (2022: 5 cents)	<u>41,614</u>

Significant changes in the state of affairs

The company closed its existing branch at Shop 7 Peelwood Parade and moved to the new branch location of Shop 5 Halls Head Central Shopping Centre on the 29 August 2022.

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

Matters subsequent to the end of the financial year

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

Likely developments

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

Mandurah Community Financial Services Limited

Directors' report

30 June 2023

Environmental regulation

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

Meetings of directors

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

	Board Eligible	Board Attended	Sponsorship & Marketing Committee Eligible	Sponsorship & Marketing Committee Attended
Ian James Anson Ilsley	11	11	-	-
Adrian Paul Pitsikas	11	9	-	-
Andrew James Brown	11	11	-	-
Timothy David Williams	11	10	3	3
Douglas Philip James Savarese	11	7	-	-
Horace Brett Hill	11	8	3	3
Natasha Darlene Upcott	11	9	3	3

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.

Mandurah Community Financial Services Limited

Directors' report

30 June 2023

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

Indemnity and insurance of auditor

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

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

Non-audit services

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

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

Auditor's independence declaration

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

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

On behalf of the directors



Ian James Anson Isley
Chair

18 September 2023



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

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

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

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 18 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin', is positioned above the printed name.

Joshua Griffin
Lead Auditor

Mandurah Community Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	6	2,195,620	1,075,646
Other revenue	7	12,073	11,980
Finance revenue		20,112	3,050
Gain on remeasurement of right-of-use assets	8	3,596	65,743
Total revenue		2,231,401	1,156,419
Employee benefits expense	10	(617,093)	(615,438)
Advertising and marketing costs		(15,071)	(8,941)
Occupancy and associated costs		(45,520)	(67,142)
System costs		(49,936)	(55,960)
Depreciation and amortisation expense	10	(181,068)	(61,363)
Loss on disposal of assets		(5,478)	-
Finance costs	10	(20,426)	(12,904)
General administration expenses		(196,716)	(171,613)
Fair value losses on financial assets	9	(10,527)	(29,139)
Total expenses before community contributions and income tax expense		(1,141,835)	(1,022,500)
Profit before community contributions and income tax expense		1,089,566	133,919
Charitable donations and sponsorships expense		(116,165)	(75,788)
Profit before income tax expense		973,401	58,131
Income tax expense	11	(239,470)	(14,874)
Profit after income tax expense for the year	23	733,931	43,257
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		733,931	43,257
		Cents	Cents
Basic earnings per share	32	123.46	7.28
Diluted earnings per share	32	123.46	7.28

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 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	12	1,372,486	825,964
Trade and other receivables	13	214,994	277,251
Current tax assets	11	-	3,166
Total current assets		<u>1,587,480</u>	<u>1,106,381</u>
Non-current assets			
Trade and other receivables	13	27,500	27,500
Financial assets	16	195,715	194,161
Property, plant and equipment	14	524,076	38,860
Right-of-use assets	15	281,048	351,096
Intangible assets	17	48,862	61,862
Deferred tax assets	11	57,522	26,439
Total non-current assets		<u>1,134,723</u>	<u>699,918</u>
Total assets		<u>2,722,203</u>	<u>1,806,299</u>
Liabilities			
Current liabilities			
Trade and other payables	18	131,419	82,273
Lease liabilities	19	90,485	61,290
Current tax liabilities	11	270,553	-
Employee benefits	20	26,586	34,068
Lease make good provision	21	-	9,214
Total current liabilities		<u>519,043</u>	<u>186,845</u>
Non-current liabilities			
Trade and other payables	18	29,324	43,986
Lease liabilities	19	309,048	406,829
Employee benefits	20	11,137	8,723
Lease make good provision	21	33,825	32,407
Total non-current liabilities		<u>383,334</u>	<u>491,945</u>
Total liabilities		<u>902,377</u>	<u>678,790</u>
Net assets		<u>1,819,826</u>	<u>1,127,509</u>
Equity			
Issued capital	22	594,490	594,490
Retained earnings	23	<u>1,225,336</u>	<u>533,019</u>
Total equity		<u>1,819,826</u>	<u>1,127,509</u>

Mandurah Community Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2023

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2021		594,490	519,487	1,113,977
Profit after income tax expense		-	43,257	43,257
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	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>
 Balance at 1 July 2022		 594,490	 533,019	 1,127,509
Profit after income tax expense		-	733,931	733,931
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	733,931	733,931
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	25	-	(41,614)	(41,614)
Balance at 30 June 2023		<u>594,490</u>	<u>1,225,336</u>	<u>1,819,826</u>

Mandurah Community Financial Services Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,354,253	1,126,845
Payments to suppliers and employees (inclusive of GST)		(1,098,974)	(1,091,419)
Interest received		13,850	2,598
Income taxes refunded		3,166	16,760
Net cash provided by operating activities	31	1,272,295	54,784
Cash flows from investing activities			
Payments for property, plant and equipment	14	(608,852)	-
Payments for intangible assets		(13,329)	(13,329)
Proceeds from disposal of property, plant and equipment	14	27,296	-
Net cash used in investing activities		(594,885)	(13,329)
Cash flows from financing activities			
Dividends paid	25	(41,614)	(29,725)
Repayment of lease liabilities	19	(89,274)	(46,386)
Net cash used in financing activities		(130,888)	(76,111)
Net increase/(decrease) in cash and cash equivalents		546,522	(34,656)
Cash and cash equivalents at the beginning of the financial year		825,964	860,620
Cash and cash equivalents at the end of the financial year	12	1,372,486	825,964

Mandurah Community Financial Services Limited

Notes to the financial statements

30 June 2023

Note 1. Reporting entity

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

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

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.

Note 2. Basis of preparation and statement of compliance

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 September 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

The company regrouped amount held in trust from cash and cash equivalents to trade debtors, this has been adjusted in the 2022 and 2023 accounts, the effect is immaterial to users.

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 2023

Note 3. Significant accounting policies (continued)

Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Fair value measurement hierarchy

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

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

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

Estimation of useful lives of assets

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

Impairment of non-financial assets

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

Recovery of deferred tax assets

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

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.

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.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in April 2027.

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

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

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

Note 6. Revenue from contracts with customers

	2023	2022
	\$	\$
Margin income	2,057,259	914,439
Fee income	89,494	103,679
Commission income	48,867	57,528
	<u>2,195,620</u>	<u>1,075,646</u>

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

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 6. Revenue from contracts with customers (continued)

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

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

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

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates.

Margin income

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

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

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

Commission income

Commission 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 including fees for loan applications and account transactions.

Core banking products

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

Ability to change financial return

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

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 6. Revenue from contracts with customers (continued)

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

Note 7. Other revenue

	2023	2022
	\$	\$
Dividend and distribution income	12,073	10,894
Other income	-	1,086
	<u>12,073</u>	<u>11,980</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.

<u>Revenue stream</u>	<u>Revenue recognition policy</u>
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of GST.

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

	2023	2022
	\$	\$
Gain on disposal of right-of-use assets	<u>3,596</u>	<u>65,743</u>

During the previous financial year 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 the company no longer received any economic benefit from the right-of-use asset, as a result of the remeasurement an accounting gain was recognised.

Note 9. Fair value losses on financial assets

	2023	2022
	\$	\$
Fair value losses on financial assets	<u>10,527</u>	<u>29,139</u>

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 10. Expenses

Employee benefits expense

	2023	2022
	\$	\$
Wages and salaries	519,480	528,021
Non-cash benefits	15,240	12,870
Superannuation contributions	54,057	53,355
Expenses related to long service leave	(1,438)	2,404
Other expenses	29,754	18,788
	<u>617,093</u>	<u>615,438</u>

Depreciation and amortisation expense

	2023	2022
	\$	\$
<i>Depreciation of non-current assets</i>		
Furniture and fixtures	87,295	3,199
Motor vehicles	9,045	7,522
	<u>96,340</u>	<u>10,721</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	71,728	39,096
<i>Amortisation of intangible assets</i>		
Franchise fee	2,167	2,219
Franchise renewal fee	10,833	9,327
	<u>13,000</u>	<u>11,546</u>
	<u>181,068</u>	<u>61,363</u>

Finance costs

	2023	2022
	\$	\$
Lease interest expense	19,008	11,824
Unwinding of make-good provision	1,418	1,078
Other	-	2
	<u>20,426</u>	<u>12,904</u>

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

Leases recognition exemption

	2023	2022
	\$	\$
Expenses relating to low-value leases	<u>25,381</u>	<u>27,590</u>

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under *AASB 16 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 11. Income tax

	2023	2022
	\$	\$
<i>Income tax expense</i>		
Current tax	275,727	-
Movement in deferred tax	(41,381)	13,316
Under/over adjustment	-	3,843
Recoupment of prior year tax losses	10,298	2,384
Net benefit of franking credits on dividends received	(5,174)	-
Excess franking credits converted to tax losses	-	(4,669)
	<u>239,470</u>	<u>14,874</u>
Aggregate income tax expense		
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	973,401	58,131
Tax at the statutory tax rate of 25%	243,350	14,533
Tax effect of:		
Non-assessable income	1,294	1,167
Net benefit of franking credits on dividends received	(5,174)	(4,669)
	239,470	11,031
Under/over adjustment	-	3,843
Income tax expense	<u>239,470</u>	<u>14,874</u>
	\$	\$
<i>Deferred tax assets/(liabilities)</i>		
Tax losses	-	10,299
Employee benefits	9,431	10,698
Provision for lease make good	8,456	10,405
Accrued expenses	3,896	4,470
Income accruals	(1,855)	(289)
Lease liabilities	99,883	117,030
Right-of-use assets	(70,262)	(125,274)
Property, plant and equipment	699	(5,486)
Financial assets at fair value through profit or loss	9,499	6,866
Prepayments	(2,225)	(2,280)
Deferred tax asset	<u>57,522</u>	<u>26,439</u>
	\$	\$
Income tax refund due	<u>-</u>	<u>3,166</u>
	\$	\$
Provision for income tax	<u>270,553</u>	<u>-</u>

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 11. Income tax (continued)

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

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

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

Note 12. Cash and cash equivalents

	2023	2022
	\$	\$
Cash at bank and on hand	417,364	91,582
Term deposits	955,122	734,382
	<u>1,372,486</u>	<u>825,964</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.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 13. Trade and other receivables

	2023 \$	2022 \$
Trade receivables	198,669	116,966
Other receivables and accruals	5	150,010
Accrued income	7,419	1,157
Prepayments	8,901	9,118
	<u>16,325</u>	<u>160,285</u>
	<u>214,994</u>	<u>277,251</u>
<i>Non-current assets</i>		
Trade receivables	<u>27,500</u>	<u>27,500</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

	2023 \$	2022 \$
Furniture and fixtures - at cost	529,182	290,245
Less: Accumulated depreciation	<u>(92,574)</u>	<u>(281,279)</u>
	436,608	8,966
Motor vehicles - at cost	90,521	60,168
Less: Accumulated depreciation	<u>(3,053)</u>	<u>(30,274)</u>
	87,468	29,894
	<u>524,076</u>	<u>38,860</u>

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

	Furniture and fixtures \$	Motor vehicles \$	Total \$
Balance at 1 July 2021	12,165	37,416	49,581
Depreciation	<u>(3,199)</u>	<u>(7,522)</u>	<u>(10,721)</u>
Balance at 30 June 2022	8,966	29,894	38,860
Additions	518,332	90,520	608,852
Disposals	(3,395)	(23,901)	(27,296)
Depreciation	<u>(87,295)</u>	<u>(9,045)</u>	<u>(96,340)</u>
Balance at 30 June 2023	<u>436,608</u>	<u>87,468</u>	<u>524,076</u>

Additions

During the financial year the company completed a re-fit at the Halls Head branch and purchased two new motor vehicles.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 14. Property, plant and equipment (continued)

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.

Furniture and fixtures 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:

Furniture and fixtures	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

	2023 \$	2022 \$
Land and buildings - right-of-use	358,727	742,989
Less: Accumulated depreciation	<u>(77,679)</u>	<u>(391,893)</u>
	<u>281,048</u>	<u>351,096</u>

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

	Land and buildings \$
Balance at 1 July 2021	381,175
Additions	357,047
Remeasurement adjustments	(348,030)
Depreciation expense	<u>(39,096)</u>
Balance at 30 June 2022	351,096
Remeasurement adjustments	1,680
Depreciation expense	<u>(71,728)</u>
Balance at 30 June 2023	<u>281,048</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.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

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

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

Refer to note 19 for more information on lease arrangements.

Note 16. Financial assets

	2023 \$	2022 \$
Equity securities - designated at fair value through profit or loss	<u>195,715</u>	<u>194,161</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. Intangible assets

	2023 \$	2022 \$
Franchise fee	122,025	122,025
Less: Accumulated amortisation	<u>(113,881)</u>	<u>(111,714)</u>
	8,144	10,311
Franchise renewal fee	98,932	98,932
Less: Accumulated amortisation	<u>(58,214)</u>	<u>(47,381)</u>
	40,718	51,551
	<u>48,862</u>	<u>61,862</u>

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

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2021	1,697	6,715	8,412
Additions	10,833	54,163	64,996
Amortisation expense	<u>(2,219)</u>	<u>(9,327)</u>	<u>(11,546)</u>
Balance at 30 June 2022	10,311	51,551	61,862
Amortisation expense	<u>(2,167)</u>	<u>(10,833)</u>	<u>(13,000)</u>
Balance at 30 June 2023	<u>8,144</u>	<u>40,718</u>	<u>48,862</u>

Accounting policy for intangible assets

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

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

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 17. Intangible assets (continued)

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 and adjusted, if appropriate, at each reporting date.

Change in estimates

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

Note 18. Trade and other payables

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	15,742	7,121
Other payables and accruals	115,677	75,152
	<u>131,419</u>	<u>82,273</u>
<i>Non-current liabilities</i>		
Other payables and accruals	<u>29,324</u>	<u>43,986</u>

Accounting policy for trade and other payables

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

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

Note 19. Lease liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	105,875	80,524
Unexpired interest	(15,390)	(19,234)
	<u>90,485</u>	<u>61,290</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	329,188	443,813
Unexpired interest	(20,140)	(36,984)
	<u>309,048</u>	<u>406,829</u>

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 19. Lease liabilities (continued)

Reconciliation of lease liabilities

	2023	2022
	\$	\$
Opening balance	468,119	448,364
Additional lease liabilities recognised	-	474,755
Remeasurement adjustments	1,680	(420,438)
Lease interest expense	19,008	11,824
Lease payments - total cash outflow	<u>(89,274)</u>	<u>(46,386)</u>
	<u>399,533</u>	<u>468,119</u>

Maturity analysis

	2023	2022
	\$	\$
Not later than 12 months	105,875	80,524
Between 12 months and 5 years	<u>329,188</u>	<u>443,813</u>
	<u>435,063</u>	<u>524,337</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 lease payments and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

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

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

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

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

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

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Halls Head Branch	4.29%	5 years	N/A	N/A	May 2027

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 20. Employee benefits

	2023 \$	2022 \$
<i>Current liabilities</i>		
Annual leave	20,785	24,415
Long service leave	5,801	9,653
	<u>26,586</u>	<u>34,068</u>
<i>Non-current liabilities</i>		
Long service leave	<u>11,137</u>	<u>8,723</u>

Accounting policy for employee benefits

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

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

Superannuation contributions

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

Short-term employee benefits

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

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. Lease make good provision

	2023 \$	2022 \$
<i>Current liabilities</i>		
Lease make good	<u>-</u>	<u>9,214</u>
<i>Non-current liabilities</i>		
Lease make good	<u>33,825</u>	<u>32,407</u>

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 21. Lease make good provision (continued)

Lease make good provision

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 to be \$40,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as the 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.

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. The 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

	2023 Shares	2022 Shares	2023 \$	2022 \$
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*.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

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 331. As at the date of this report, the company had 409 shareholders (2022: 412 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 their associates) has a prohibited shareholding interest in are suspended.

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

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

Note 23. Retained earnings

	2023	2022
	\$	\$
Retained earnings at the beginning of the financial year	533,019	519,487
Profit after income tax expense for the year	733,931	43,257
Dividends paid (note 25)	(41,614)	(29,725)
Retained earnings at the end of the financial year	<u>1,225,336</u>	<u>533,019</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%.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

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.

	2023 \$	2022 \$
Fully franked dividend of 7 cents per share (2022: 5 cents)	41,614	29,725

Franking credits

	2023 \$	2022 \$
Franking account balance at the beginning of the financial year	285,355	315,985
Franking credits (debits) arising from income taxes paid (refunded)	(3,166)	(25,391)
Franking debits from the payment of franked distributions	(13,871)	(9,908)
Franking credits from franked distributions received	5,174	4,669
	<u>273,492</u>	<u>285,355</u>
<i>Franking transactions that will arise subsequent to the financial year end:</i>		
Balance at the end of the financial year	273,492	285,355
Franking credits (debits) that will arise from payment (refund) of income tax	270,553	(3,166)
Franking credits available for future reporting periods	<u>544,045</u>	<u>282,189</u>

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

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Note 26. Financial instruments

	2023 \$	2022 \$
Financial assets		
Trade and other receivables	206,093	268,133
Cash and cash equivalents	1,372,486	825,964
Financial assets	195,715	194,161
	<u>1,774,294</u>	<u>1,288,258</u>
Financial liabilities		
Trade and other payables	160,743	126,259
Lease liabilities	399,533	468,119
	<u>560,276</u>	<u>594,378</u>

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

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.

Interest-bearing assets and liabilities are held with Bendigo Bank and earning on those and subject to movements in market interest rate. The company held cash and cash equivalents of \$1,372,486 at 30 June 2023 (2022: \$825,964).

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). Changes in equity securities value is recognised through profit or loss or other comprehensive income.

Credit risk

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

Liquidity risk

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

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 26. Financial instruments (continued)

Exposure to liquidity risk

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

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Trade and other payables	131,419	29,324	-	160,743
Lease liabilities	105,875	329,188	-	435,063
Total non-derivatives	<u>237,294</u>	<u>358,512</u>	<u>-</u>	<u>595,806</u>
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2022				
Trade and other payables	82,273	43,986	-	126,259
Lease liabilities	80,524	443,813	-	524,337
Total non-derivatives	<u>162,797</u>	<u>487,799</u>	<u>-</u>	<u>650,596</u>

Note 27. Fair value measurement

	Level 1 \$
2023	
<i>Assets</i>	
Equity securities	195,715
Total assets	<u>195,715</u>
	Level 1 \$
2022	
<i>Assets</i>	
Equity securities	194,161
Total assets	<u>194,161</u>

There were no transfers between levels during the financial year.

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.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 28. Key management personnel disclosures

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

Ian James Anson Ilsley
 Adrian Paul Pitsikas
 Andrew James Brown
 Timothy David Williams

Douglas Philip James Savarese
 Horace Brett Hill
 Natasha Darlene Upcott

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:

	2023	2022
	\$	\$
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:	42,275	41,090

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

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:

	2023	2022
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements	5,400	5,200
<i>Other services</i>		
General advisory services	3,200	2,280
Share registry services	5,306	5,573
	8,506	7,853
	<u>13,906</u>	<u>13,053</u>

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

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

	2023	2022
	\$	\$
Profit after income tax expense for the year	733,931	43,257
Adjustments for:		
Depreciation and amortisation	181,068	61,363
Net gain on disposal of non-current assets	-	(65,743)
(Increase)/decrease in fair value of equity instruments designated at FVTPL	10,527	29,139
Income reinvested in financial assets	(12,080)	(10,891)
Lease liabilities interest	19,008	11,824
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	62,257	(30,204)
Decrease in income tax refund due	3,166	20,602
Decrease/(increase) in deferred tax assets	(31,083)	11,032
Increase in other operating assets	-	(18,248)
Increase in trade and other payables	47,812	22,009
Increase in provision for income tax	270,553	-
Increase/(decrease) in employee benefits	(5,068)	3,352
Decrease in other provisions	(7,796)	(22,708)
Net cash provided by operating activities	<u>1,272,295</u>	<u>54,784</u>

Note 32. Earnings per share

	2023	2022
	\$	\$
Profit after income tax	<u>733,931</u>	<u>43,257</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>594,490</u>	<u>594,490</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>594,490</u>	<u>594,490</u>
	Cents	Cents
Basic earnings per share	123.46	7.28
Diluted earnings per share	123.46	7.28

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, 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.

Mandurah Community Financial Services Limited
Notes to the financial statements
30 June 2023

Note 35. Events after the reporting period

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

Mandurah Community Financial Services Limited
Directors' declaration
30 June 2023

In the directors' opinion:

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

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

On behalf of the directors



Ian James Anson Jisley
Chair

18 September 2023



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 (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of 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 2023 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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



Andrew Frewin Stewart
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(03) 5443 0344

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

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



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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 18 September 2023

Joshua Griffin
Lead Auditor

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