

Rosewood & District Financial Services Limited

ABN 62 115 218 472

Financial Report - 30 June 2023

Rosewood & District 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:	Kathleen Maree Hillan
Title:	Non-executive directors
Experience and expertise:	Secretary of Rosewood Show Society, Member of Ipswich Show Society, Accommodation Co-ordinator for Ekka and holds a Cert III in Financial Services.
Special responsibilities:	Chair, Grants, Property Management and Sponsorship/Marketing and Publicity committees
Name:	Eirys Mabel Heit
Title:	Non-executive director
Experience and expertise:	Former local business owner. Member Lions Club of Rosewood Inc. Former member and Chairperson Cabanda Care Inc. Winner Rosewood Citizen of the Year Award 2011.
Special responsibilities:	Treasurer, budget and audit tasks
Name:	Erin Elizabeth Turner
Title:	Non-executive director
Experience and expertise:	Business Resource Officer. Studied Marketing, International Business and Accounting. Currently employed at the Ipswich City Council.
Special responsibilities:	Grants committee
Name:	Bruce Edward Richards
Title:	Non-executive director
Experience and expertise:	Paralegal/assistant Law Firm at present worked in the legal profession for 13 years, Bank employee with National Australia Bank for 19 years, current member of Rosewood Lions Club for 20 years, current member of Parrot Society of Australia for 33 years, office supervisor of retail organisation for 7 years. Bruce has also commenced working at the local Real Estate Agency and appointed as a director on the board of Cabanda Aged Care in October 2021.
Special responsibilities:	Audit and Governance, Policy and Risk committees
Name:	Lisa Lynette Blake
Title:	Non-executive director
Experience and expertise:	Lisa was the former Branch Manager of the Rosewood & District Community Bank Branch until 2017. Lisa has been employed with Bendigo and Adelaide Bank since 2011 and is currently an Assessment Officer (Adelaide Bank). Lisa holds a Certificate IV in Financial Services (Finance/Mortgage Broking).
Special responsibilities:	Secretary, Grants, PR, Sponsorship/Marketing/Publicity and Property Management committees
Name:	Stuart Gregory Barrett
Title:	Non-executive director
Experience and expertise:	Owner of PRD Bremer Valley Real Estate and director for Bremer Property Group Pty Ltd.
Special responsibilities:	Nil
Name:	Brian Maxwell Nash
Title:	Non-executive director (resigned 11 July 2022)
Experience and expertise:	Paramedic - Officer in Charge Queensland Ambulance Service Rosewood, obtained Bachelor of Health, Emergency Health Services (QUT), Diploma of Applied Business, Associate Diploma of Applied Science, Diploma of Business, Australian Emergency Services Medal and Humanitarian Overseas Services Medal.
Special responsibilities:	Planning Day committee

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Name:	Sonya Michelle Perkins
Title:	Non-executive director (resigned 11 July 2022)
Experience and expertise:	Property manager for Bremer Valley Realty and First National Action Realty.
Special responsibilities:	Nil

Company secretary

The company secretary is Lisa Lynette Blake. Lisa was appointed to the position of company secretary on 27 January 2022.

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 \$295,331 (30 June 2022: \$43,895).

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 5 cents per share (2022: 2.5 cents)	<u><u>27,158</u></u>

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments

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

Environmental regulation

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

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Directors' report

30 June 2023

Meetings of directors

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

	Board Eligible	Attended
Kathleen Maree Hillan	13	12
Eirys Mabel Heit	13	13
Erin Elizabeth Turner	13	10
Bruce Edward Richards	11	10
Lisa Lynette Blake	13	13
Stuart Gregory Barrett	11	9
Brian Maxwell Nash	-	-
Sonya Michelle Perkins	-	-

Directors' benefits

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

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Kathleen Maree Hillan	501	-	501
Eirys Mabel Heit	7,501	-	7,501
Erin Elizabeth Turner	500	-	500
Bruce Edward Richards	-	-	-
Lisa Lynette Blake	500	-	500
Stuart Gregory Barrett	-	-	-
Brian Maxwell Nash	1,001	-	1,001
Sonya Michelle Perkins	-	-	-

Indemnity and insurance of directors and officers

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

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

Proceedings on behalf of the company

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

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

Indemnity and insurance of auditor

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

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

Rosewood & District Financial Services Limited
Directors' report
30 June 2023

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 28 to the accounts.

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

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

Auditor's independence declaration

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

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

On behalf of the directors



Kathleen Maree Hillan
Chair

20 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 Rosewood & District Financial Services Limited

As lead auditor for the audit of Rosewood & District 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: 20 September 2023

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

Joshua Griffin
Lead Auditor

Rosewood & District 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	1,132,523	629,042
Other revenue	7	45,953	57,216
Finance revenue		2,180	150
Total revenue		<u>1,180,656</u>	<u>686,408</u>
Employee benefits expense	8	(407,244)	(394,803)
Advertising and marketing costs		(8,683)	(4,905)
Occupancy and associated costs		(32,348)	(30,121)
System costs		(17,884)	(17,813)
Depreciation and amortisation expense	8	(78,042)	(76,582)
Finance costs	8	(12,749)	(14,721)
General administration expenses		(72,132)	(69,870)
Total expenses before community contributions and income tax		<u>(629,082)</u>	<u>(608,815)</u>
Profit before community contributions and income tax expense		551,574	77,593
Charitable donations, sponsorships and grants expense	8	<u>(155,455)</u>	<u>(16,814)</u>
Profit before income tax expense		396,119	60,779
Income tax expense	9	<u>(100,788)</u>	<u>(16,884)</u>
Profit after income tax expense for the year	22	295,331	43,895
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>295,331</u></u>	<u><u>43,895</u></u>
		Cents	Cents
Basic earnings per share	30	54.37	8.08
Diluted earnings per share	30	54.37	8.08

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

Rosewood & District Financial Services Limited
Statement of financial position
As at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	10	294,837	96,548
Trade and other receivables	11	82,736	37,274
Investment properties held for sale	14	402,236	-
Total current assets		<u>779,809</u>	<u>133,822</u>
Non-current assets			
Investment properties	15	-	406,584
Property, plant and equipment	12	59,181	66,159
Right-of-use assets	13	160,628	186,403
Intangible assets	16	37,960	57,629
Deferred tax assets	9	6,262	6,141
Total non-current assets		<u>264,031</u>	<u>722,916</u>
Total assets		<u>1,043,840</u>	<u>856,738</u>
Liabilities			
Current liabilities			
Trade and other payables	17	10,992	25,055
Borrowings	18	-	29,665
Lease liabilities	19	46,498	41,266
Current tax liabilities	9	86,053	11,394
Total current liabilities		<u>143,543</u>	<u>107,380</u>
Non-current liabilities			
Trade and other payables	17	-	29,856
Borrowings	18	-	54,737
Lease liabilities	19	139,950	173,566
Lease make good provision	20	20,897	19,922
Total non-current liabilities		<u>160,847</u>	<u>278,081</u>
Total liabilities		<u>304,390</u>	<u>385,461</u>
Net assets		<u>739,450</u>	<u>471,277</u>
Equity			
Issued capital	21	522,995	522,995
Retained earnings/(accumulated losses)	22	<u>216,455</u>	<u>(51,718)</u>
Total equity		<u>739,450</u>	<u>471,277</u>

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

Rosewood & District 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		522,995	(82,034)	440,961
Profit after income tax expense		-	43,895	43,895
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	43,895	43,895
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	24	-	(13,579)	(13,579)
Balance at 30 June 2022		<u>522,995</u>	<u>(51,718)</u>	<u>471,277</u>
 Balance at 1 July 2022		 522,995	 (51,718)	 471,277
Profit after income tax expense		-	295,331	295,331
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	295,331	295,331
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	24	-	(27,158)	(27,158)
Balance at 30 June 2023		<u>522,995</u>	<u>216,455</u>	<u>739,450</u>

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

Rosewood & District 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)		1,253,279	742,131
Payments to suppliers and employees (inclusive of GST)		(817,217)	(599,470)
Interest received		2,180	1,569
Interest and other finance costs paid		(2,327)	(2,753)
Income taxes paid		(26,250)	(3,929)
Net cash provided by operating activities	29	<u>409,665</u>	<u>137,548</u>
Cash flows from investing activities			
Payments for property, plant and equipment	12	(7,505)	(3,219)
Payments for intangible assets		<u>(40,713)</u>	<u>(13,571)</u>
Net cash used in investing activities		<u>(48,218)</u>	<u>(16,790)</u>
Cash flows from financing activities			
Repayment of lease liabilities	19	(51,598)	(49,634)
Dividends paid	24	(27,158)	(13,579)
Repayment of borrowings	18	<u>(84,402)</u>	<u>(26,441)</u>
Net cash used in financing activities		<u>(163,158)</u>	<u>(89,654)</u>
Net increase in cash and cash equivalents		198,289	31,104
Cash and cash equivalents at the beginning of the financial year		<u>96,548</u>	<u>65,444</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>294,837</u></u>	<u><u>96,548</u></u>

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

Rosewood & District Financial Services Limited

Notes to the financial statements

30 June 2023

Note 1. Reporting entity

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 30A John Street, Rosewood QLD 4340.

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

Note 2. Basis of preparation and statement of compliance

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 September 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

Current and non-current classification

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

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

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

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

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.

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 3. Significant accounting policies (continued)

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

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

Impairment of non-financial assets

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

Recovery of deferred tax assets

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

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Notes to the financial statements
30 June 2023

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

Lease term

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

Incremental borrowing rate

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

Lease make good provision

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

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in December 2025.

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

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

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

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

Rosewood & District Financial Services Limited
Notes to the financial statements
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Note 5. Economic dependency (continued)

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

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

Note 6. Revenue from contracts with customers

	2023 \$	2022 \$
Margin income	1,000,085	515,381
Fee income	67,235	50,738
Commission income	65,203	62,923
	<u>1,132,523</u>	<u>629,042</u>

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

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

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

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

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

Revenue calculation

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

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 6. Revenue from contracts with customers (continued)

Margin income

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

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

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

Commission income

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

Note 7. Other revenue

	2023	2022
	\$	\$
Market development fund	10,000	22,500
Rental income	35,953	34,716
	<u>45,953</u>	<u>57,216</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.

Rosewood & District Financial Services Limited
Notes to the financial statements
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Note 7. Other revenue (continued)

Revenue stream

Discretionary financial contributions (also "Market development fund" or "MDF" income)

Rental income

Revenue recognition policy

MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

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

All revenue is stated net of the amount of GST.

Note 8. Expenses

Employee benefits expense

	2023	2022
	\$	\$
Wages and salaries	329,480	323,223
Superannuation contributions	37,650	34,613
Expenses related to long service leave	4,924	(27)
Other expenses	35,190	36,994
	<u>407,244</u>	<u>394,803</u>

Accounting policy for employee benefits

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

Depreciation and amortisation expense

	2023	2022
	\$	\$
<i>Depreciation of tangible assets</i>		
Investment properties	4,348	4,348
Leasehold improvements	11,610	11,356
Plant and equipment	2,873	3,123
	<u>18,831</u>	<u>18,827</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	<u>39,542</u>	<u>38,086</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	2,152	2,152
Franchise renewal fee	10,759	10,759
Domiciled customer accounts	6,758	6,758
	<u>19,669</u>	<u>19,669</u>
	<u>78,042</u>	<u>76,582</u>

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 8. Expenses (continued)

Finance costs

	2023	2022
	\$	\$
Bank loan interest paid or accrued	2,327	2,753
Lease interest expense	9,447	11,038
Unwinding of make good provision	975	930
	<u>12,749</u>	<u>14,721</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>5,653</u>	<u>6,712</u>

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

Charitable donations, sponsorships and grants expense

	2023	2022
	\$	\$
Direct donation, sponsorship and grant payments	43,876	16,814
Contribution to the Community Enterprise Foundation™	111,579	-
	<u>155,455</u>	<u>16,814</u>

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

The funds contributed are held by the Community Enterprise Foundation™ (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

Rosewood & District Financial Services Limited
Notes to the financial statements
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Note 9. Income tax

	2023	2022
	\$	\$
<i>Income tax expense</i>		
Current tax	100,909	19,421
Movement in deferred tax	(121)	(2,537)
Aggregate income tax expense	<u>100,788</u>	<u>16,884</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	396,119	60,779
Tax at the statutory tax rate of 25%	99,030	15,195
Tax effect of:		
Non-deductible expenses	1,758	1,689
Income tax expense	<u>100,788</u>	<u>16,884</u>
	2023	2022
	\$	\$
<i>Deferred tax assets/(liabilities)</i>		
Property, plant and equipment	(5,428)	(6,754)
Lease liabilities	46,612	53,708
Provision for lease make good	5,224	4,981
Accrued expenses	1,050	825
Income accruals	(1,039)	(18)
Right-of-use assets	(40,157)	(46,601)
Deferred tax asset	<u>6,262</u>	<u>6,141</u>
	2023	2022
	\$	\$
Provision for income tax	<u>86,053</u>	<u>11,394</u>

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 9. Income tax (continued)

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 10. Cash and cash equivalents

	2023	2022
	\$	\$
Cash at bank and on hand	194,837	46,548
Term deposits	100,000	50,000
	<u>294,837</u>	<u>96,548</u>

Accounting policy for cash and cash equivalents

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

Note 11. Trade and other receivables

	2023	2022
	\$	\$
Trade receivables	72,769	30,345
Accrued income	4,156	71
Prepayments	5,811	6,858
	<u>9,967</u>	<u>6,929</u>
	<u>82,736</u>	<u>37,274</u>

Accounting policy for trade and other receivables

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

Note 12. Property, plant and equipment

	2023	2022
	\$	\$
Leasehold improvements - at cost	173,302	171,020
Less: Accumulated depreciation	(128,278)	(116,668)
	<u>45,024</u>	<u>54,352</u>
Plant and equipment - at cost	62,312	57,089
Less: Accumulated depreciation	(48,155)	(45,282)
	<u>14,157</u>	<u>11,807</u>
	<u>59,181</u>	<u>66,159</u>

Rosewood & District Financial Services Limited
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Note 12. Property, plant and equipment (continued)

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

	Leasehold improvements \$	Plant and equipment \$	Total \$
Balance at 1 July 2021	64,372	13,047	77,419
Additions	1,336	1,883	3,219
Depreciation	(11,356)	(3,123)	(14,479)
Balance at 30 June 2022	54,352	11,807	66,159
Additions	2,282	5,223	7,505
Depreciation	(11,610)	(2,873)	(14,483)
Balance at 30 June 2023	<u>45,024</u>	<u>14,157</u>	<u>59,181</u>

Accounting policy for property, plant and equipment

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

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

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

Leasehold improvements	6 to 40 years
Plant and equipment	2.5 to 40 years

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

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

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

Changes in estimates

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

Note 13. Right-of-use assets

	2023 \$	2022 \$
Land and buildings - right-of-use	402,817	389,050
Less: Accumulated depreciation	<u>(242,189)</u>	<u>(202,647)</u>
	<u>160,628</u>	<u>186,403</u>

Rosewood & District Financial Services Limited
Notes to the financial statements
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Note 13. Right-of-use assets (continued)

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

	Land and buildings \$
Balance at 1 July 2021	218,389
Remeasurement adjustments	6,100
Depreciation expense	<u>(38,086)</u>
Balance at 30 June 2022	186,403
Remeasurement adjustments	13,767
Depreciation expense	<u>(39,542)</u>
Balance at 30 June 2023	<u><u>160,628</u></u>

Accounting policy for right-of-use assets

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

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

Refer to note 19 for more information on lease arrangements.

Note 14. Investment properties held for sale

	2023 \$	2022 \$
<i>Current assets</i>		
Investment property - at cost	453,936	-
Less: accumulated depreciation	<u>(51,700)</u>	<u>-</u>
	<u><u>402,236</u></u>	<u><u>-</u></u>

Reconciliation

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

Opening balance	-	-
Transfers in/(out)	406,584	-
Depreciation	<u>(4,348)</u>	<u>-</u>
Closing balance	<u><u>402,236</u></u>	<u><u>-</u></u>

Accounting policy for investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are recognised at cost, less accumulated depreciation. As at 30 June 2023 the company currently has the intention to sell the 26-28 John Street Property, hence the current asset classification has been applied.

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 14. Investment properties held for sale (continued)

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives which is 40 years.

Note 15. Investment properties

	2023	2022
	\$	\$
Investment property - at cost	-	453,936
Less: Accumulated depreciation	-	(47,352)
	<u>-</u>	<u>406,584</u>

Reconciliation

Reconciliation of the beginning and end of the current and previous financial year are set out below:

Opening amount	406,584	410,932
Transfers in/(out)	(406,584)	-
Depreciation expense	-	(4,348)
	<u>-</u>	<u>(4,348)</u>
Closing amount	<u>-</u>	<u>406,584</u>

Transfers in/(out)

As at 30 June 2023 the company has the intention to sell the 26-28 John Street property, hence the current asset classification has been applied in note 14.

Note 16. Intangible assets

	2023	2022
	\$	\$
Franchise fee	43,626	43,626
Less: Accumulated amortisation	(38,426)	(36,274)
	<u>5,200</u>	<u>7,352</u>
Franchise renewal fee	168,133	168,133
Less: Accumulated amortisation	(142,131)	(131,372)
	<u>26,002</u>	<u>36,761</u>
Domiciled customer accounts	33,790	33,790
Less: Accumulated amortisation	(27,032)	(20,274)
	<u>6,758</u>	<u>13,516</u>
	<u>37,960</u>	<u>57,629</u>

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30 June 2023

Note 16. Intangible assets (continued)

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 \$	Domiciled customer accounts \$	Total \$
Balance at 1 July 2021	9,504	47,520	20,274	77,298
Amortisation expense	(2,152)	(10,759)	(6,758)	(19,669)
Balance at 30 June 2022	7,352	36,761	13,516	57,629
Amortisation expense	(2,152)	(10,759)	(6,758)	(19,669)
Balance at 30 June 2023	<u>5,200</u>	<u>26,002</u>	<u>6,758</u>	<u>37,960</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 and domiciled customer accounts purchased by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise fee	Straight-line	Over the franchise term (5 years)	December 2025
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	December 2025
Domiciled customer accounts	Straight-line	5 years	June 2024

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 17. Trade and other payables

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	1,646	1,589
Other payables and accruals	<u>9,346</u>	<u>23,466</u>
	<u>10,992</u>	<u>25,055</u>
<i>Non-current liabilities</i>		
Other payables and accruals	<u>-</u>	<u>29,856</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.

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 17. Trade and other payables (continued)

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 18. Borrowings

	2023	2022
	\$	\$
<i>Current liabilities</i>		
Bank loans	-	29,665
	<u>-</u>	<u>29,665</u>
<i>Non-current liabilities</i>		
Bank loans	-	54,737
	<u>-</u>	<u>54,737</u>

During the financial year the company paid out its commercial loan.

Note 19. Lease liabilities

	2023	2022
	\$	\$
<i>Current liabilities</i>		
Land and buildings lease liabilities	54,417	50,658
Unexpired interest	(7,919)	(9,392)
	<u>46,498</u>	<u>41,266</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	149,648	189,966
Unexpired interest	(9,698)	(16,400)
	<u>139,950</u>	<u>173,566</u>

Reconciliation of lease liabilities

	2023	2022
	\$	\$
Opening balance	214,832	247,328
Remeasurement adjustments	13,767	6,100
Lease interest expense	9,447	11,038
Lease payments - total cash outflow	(51,598)	(49,634)
	<u>186,448</u>	<u>214,832</u>

Maturity analysis

	2023	2022
	\$	\$
Not later than 12 months	54,417	50,658
Between 12 months and 5 years	149,648	189,966
	<u>204,065</u>	<u>240,624</u>

Rosewood & District Financial Services Limited
Notes to the financial statements
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Note 19. Lease liabilities (continued)

Accounting policy for lease liabilities

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

Lease payments included in the measurement of the lease liability comprise variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

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.

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Branch	4.79%	5 years	N/A	N/A	March 2027

Note 20. Lease make good provision

	2023 \$	2022 \$
Lease make good	<u>20,897</u>	<u>19,922</u>

Lease make good

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$25,000 for the Branch lease, 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. The lease is due to expire on March 2027 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.

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Note 21. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	543,160	543,160	543,160	543,160
Less: Equity raising costs	-	-	(20,165)	(20,165)
	<u>543,160</u>	<u>543,160</u>	<u>522,995</u>	<u>522,995</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*.

Prohibited shareholding interest

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

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

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

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

Rosewood & District Financial Services Limited
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Note 21. Issued capital (continued)

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

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

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

Note 22. Retained earnings/(accumulated losses)

	2023	2022
	\$	\$
Accumulated losses at the beginning of the financial year	(51,718)	(82,034)
Profit after income tax expense for the year	295,331	43,895
Dividends paid (note 24)	(27,158)	(13,579)
	<u>216,455</u>	<u>(51,718)</u>
Retained earnings/(accumulated losses) at the end of the financial year		

Note 23. Capital management

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

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

The distribution limit is the greater of:

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

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.

Rosewood & District Financial Services Limited
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Note 24. Dividends

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2023	2022
	\$	\$
Fully franked dividend of 5 cents per share (2022: 2.5 cents)	<u>27,158</u>	<u>13,579</u>

Franking credits

	2023	2022
	\$	\$
Franking account balance at the beginning of the financial year	26,049	26,646
Franking credits (debits) arising from income taxes paid (refunded)	26,249	3,929
Franking debits from the payment of franked distributions	<u>(9,053)</u>	<u>(4,526)</u>
	<u>43,245</u>	<u>26,049</u>

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

Balance at the end of the financial year	43,245	26,049
Franking credits (debits) that will arise from payment (refund) of income tax	86,053	11,394
Franking credits available for future reporting periods	<u>129,298</u>	<u>37,443</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 25. Financial instruments

	2023	2022
	\$	\$
Financial assets		
Trade and other receivables	76,925	30,416
Cash and cash equivalents	<u>294,837</u>	<u>96,548</u>
	<u>371,762</u>	<u>126,964</u>

Financial liabilities

Trade and other payables	10,992	54,911
Lease liabilities	186,448	214,832
Bank loans	<u>-</u>	<u>84,402</u>
	<u>197,440</u>	<u>354,145</u>

Accounting policy for financial instruments

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

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.

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 25. Financial instruments (continued)

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

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

Financial risk management

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

Market risk

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

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$294,837 at 30 June 2023 (2022: \$96,548). Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Credit risk

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

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

Liquidity risk

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

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	10,992	-	-	10,992
Lease liabilities	54,417	149,648	-	204,065
Total non-derivatives	65,409	149,648	-	215,057

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 25. Financial instruments (continued)

2022	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Bank loans	29,665	54,737	-	84,402
Trade and other payables	25,055	29,856	-	54,911
Lease liabilities	50,658	189,966	-	240,624
Total non-derivatives	105,378	274,559	-	379,937

Note 26. Key management personnel disclosures

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

Kathleen Maree Hillan	Eirys Mabel Heit
Erin Elizabeth Turner	Bruce Edward Richards
Lisa Lynette Blake	Stuart Gregory Barrett
Brian Maxwell Nash	Sonya Michelle Perkins

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 27. Related party transactions

The following transactions occurred with related parties:

	2023 \$	2022 \$
A director is the owner of the real estate business which provided property management services for the branch premises	1,797	2,191
A director is a part owner in an electrical company that provided electrical maintenance services to the branch premises	-	1,382

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

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 28. Remuneration of auditors

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

	2023	2022
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements	5,400	5,200
<i>Other services</i>		
Taxation advice and tax compliance services	660	600
General advisory services	2,500	1,700
Share registry services	4,459	3,870
	7,619	6,170
	<u>13,019</u>	<u>11,370</u>

Note 29. Reconciliation of profit after income tax to net cash provided by operating activities

	2023	2022
	\$	\$
Profit after income tax expense for the year	295,331	43,895
Adjustments for:		
Depreciation and amortisation	78,042	76,582
Lease liabilities interest	9,447	11,038
Change in operating assets and liabilities:		
Increase in trade and other receivables	(45,462)	(11,491)
Decrease in income tax refund due	-	4,098
Increase in deferred tax assets	(121)	(2,537)
Increase/(decrease) in trade and other payables	(3,206)	3,639
Increase in provision for income tax	74,659	11,394
Increase in other provisions	975	930
Net cash provided by operating activities	<u>409,665</u>	<u>137,548</u>

Note 30. Earnings per share

	2023	2022
	\$	\$
Profit after income tax	<u>295,331</u>	<u>43,895</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	543,160	543,160
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>543,160</u>	<u>543,160</u>
	Cents	Cents
Basic earnings per share	54.37	8.08
Diluted earnings per share	54.37	8.08

Rosewood & District Financial Services Limited
Notes to the financial statements
30 June 2023

Note 30. Earnings per share (continued)

Accounting policy for earnings per share

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

Note 31. Commitments

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

Note 32. Contingencies

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

Note 33. 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.

Rosewood & District 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



Kathleen Maree Hillan
Chair

20 September 2023



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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Independent auditor's report to the Directors of Rosewood & District Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Rosewood & District 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 Rosewood & District 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.



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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

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



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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: 20 September 2023

Joshua Griffin
Lead Auditor