



2021 Annual Report



Sarina and District Community Financial Services Limited

ABN 28 112 407 182

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Chair's report

For year ending 30 June 2021

Reputation and Brand

Our company and banking business are founded on the establishment of valuable community relationships and these relationships continue to develop between the shareholders, Board, Branch Manager, our banking team, our customers and the wider community. We continue to improve and expand our business through maximising these relationships. The Board and branch activities are focussed on connecting with and servicing our customers and supporting and developing the capacity of our community by working with community organisations, sporting organisations, university, and schools. This approach achieves good results for the business, customers, shareholders, and the wider community. This approach also enables us to create good brand awareness and reinforce our reputation in the community.

There continues to be a focus on the COVID-19 pandemic to ensure that our customers and branch team's health and safety are top of mind. Bendigo and Adelaide Bank Limited Executive Management continue to monitor and adjust the guidelines under which branches and the team were able to operate. The effect of the pandemic is constantly being monitored in both a financial sense as well as the health and well-being of the branch staff.

During the past year Bendigo and Adelaide Bank have undertaken a number of reviews and developed strategies to enhance the networks performance and ensure our Community Bank is in a strong competitive position. Bendigo and Adelaide Bank continue to implement the national and state-wide marketing campaign over the next 12 months. Our Community Bank cluster has representation on the State Marketing Committee with Maree Franettovich as well as myself as the Community Bank National Council representative for Central and North Queensland. This national and state approach has enabled a more effective marketing spend and greater coverage in the marketplace. This approach has also enabled our company to undertake a complimentary local marketing approach.

I would like to congratulate our Branch Manager, Charmaine Matsen, who has successfully led the team over the past 12 months. Under Charmaine's leadership the team has continued to focus on improving the business and meeting customer expectations. The benefits of maintaining a consistent team approach has enabled the business to grow over the past 12 months. Charmaine's team has been working hard to deliver the Bendigo and Adelaide Bank goal of being 'Australia's Bank of Choice' and to continue to grow our customer base to bank 10 percent of the Australian population.

Performance

This year has seen a slight increase in our overall profit. We have continued to contribute a significant amount of money to the Community Enterprise Foundation™. These contributions enable the Board to carry out the Community Engagement Program and reduce our tax liabilities. The team has been able to counteract discharges of loans with the writing of new business. Overall we are down slightly on last year and this is mostly due to the loss from deposits of \$3 million, resulting in business of \$182 million compared to \$183 million last year. We have seen our revenue increase from \$1.324 million up to \$1.454 million with an increase in our costs. This has resulted in an overall increase in the company's profit before tax of \$186,322, compared to last year \$154,774.

The Board has been proactive ensuring that we continue to meet the Community Engagement Program objectives: building the capacity of local community organisations, strengthening relationships between the Community Bank, community organisations and providing a range of grants and sponsorship that provide a direct benefit to Sarina and district community. We have invested \$371,433.65 in charitable donations, projects, sponsorships, advertising and promotions during the past 12 months.

Chair's report (continued)

Last year the Directors and banking team updated the three-year Strategic Plan. This has seen the development of six focus areas which include: Marketing and Promotion led by Maree Franettovich, Growth and Opportunities led by Nicholas McDougall, Community Engagement led by Karen May and Ted Malone, Shareholder Engagement led by Karen May and Ted Malone, Governance led by David Erba and Customer Service led by Charmaine Matsen. The Board has continued to operate with the Business and Community Engagement sub-committee and the Finance and Audit sub-committee. Having specific tasks sub-committees has enabled the Board to conduct business in a timely and efficient manner. The Board has also reviewed and updated our risk register.

Community engagement

The Board has also continued the Scholarship Program with CQUniversity. The scholarship is for a student who is studying a degree in Business, Accounting, Law, Digital Media, Information Technology, Business related degree, Agriculture, or Science at the university. During the past 12 months our scholarship holder, Hunter Aitchison who was studying a Bachelor of Business graduated alongside our Student Ambassadors, Taitiana McGrath and Anneka Micallef, both studying dual degrees of Bachelor of Business and Bachelor of Accounting. Last year we welcomed Cale Hutchins who is studying a Bachelor of Business as our scholarship holder. This year we welcomed two new scholarship holders, Stephanie McBride who is studying a Bachelor of Science (Honours) and Elleni Williams who is studying a Bachelor of Accounting.

We continue to expand our offering at CQUniversity with our Vocational Education & Training (Apprenticeship) Scholarship this year and apprentice Electrotechnology Electrician Georgia Beveridge was awarded this scholarship.

This year, we introduced a Higher Education Scholarship for students studying a degree that cannot reasonably be undertaken at CQUniversity. Our inaugural scholarship holder is Chelsea Millward who is studying a Bachelor of Science majoring in Marine Biology at James Cook University.

We continue to work with the Sarina State High School, now offering two scholarships for a student commencing grade eleven. This scholarship is for a two-year duration. This year's scholarship are yet to be awarded and last year's recipients Mason McArthur and Emma Simpson continue to achieve great results. The Board decided not to continue the ambassadorships for the High School. All our awardees have been worthy recipients of the scholarship and ambassador program and it is a great way for Community Bank Sarina to assist in the development of our young people through educational and networking opportunities.

In June of this year we celebrated our 16th birthday. Due to the ongoing COVID-19 restriction we didn't hold a birthday function, so the Board opted to celebrate by making a number of donations to worthy community-based organisations.

Over the past 12 months we have continued to build on our relationship with Mackay Regional Council and also continue to work with our major sponsorship recipients, Sarina Show Society, Sarina Surf Life Saving Club, Sarina Bowls Club, Sarina Netball, Mackay Region Chamber of Commerce and the Sarina District Schools Chaplaincy. We continue to achieve mutual benefits through these and many other relationships our team has in the community. This year we also partnered with the Mackay Region Chamber of Commerce to celebrate small business week. We held a networking event at the Sarina Sugar Shed that was attended by Mackay Regional Council, small business owners, our banking team and Board Directors.

These successful events have enabled the banking team to realise new business opportunities. An important component of the Community Bank model is the telling of the success stories in our local community. We encourage all recipients of the Community Engagement Program to help us spread the word regarding the benefits of doing business with Community Bank Sarina. We have developed a series of digital stories to help raise the awareness of the Community Bank business.

Our people

The success of Community Bank Sarina would not be possible without our banking business partner, Bendigo and Adelaide Bank, and the contribution and support of Central Queensland Regional Manager Steve Myers, Community Business Manager QLD Geoff Power, and State Manager QLD Gavin Holden. It is through this close working relationship with the Bendigo and Adelaide Bank team that the Company can deliver to the shareholders a dividend of 10 cents per share, fully franked, for 2021.

Chair's report (continued)

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

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

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

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



Karen May GAICD
Chair

Manager's report

For year ending 30 June 2021

To our shareholders and customers,

Community Bank Sarina has achieved profitable growth. As at 30 June 2021 your Community Bank Sarina holds a lending book of \$102.3 million and a deposit book of \$73 million, with our total business for the period of 2020/21 of \$182 million including small and commercial business, Rural Bank and Financial Markets.

Performance

We settled \$20.3 million in lending this year, actual growth of \$6.1 million, achieving 198% growth. We were also hit enormously once again with discharges, mainly due to property sales, resulting in loan payouts of \$9.7 million, with customers taking advantage of the growth phase in the market place.

With our deposit book we achieved 92% of our growth target. This is mainly due to customers having uncertainty in interest rates and seeking alternative investment options, however the team continued working hard building new relationships to gain new deposit funds.

With COVID-19 still lurking around and the uncertain times the team continued to support our customers in every possible way. In branch we still implemented our COVID-19 safe plan and business as usual for the convenience of our customers.

We are the Better Big Bank and like to stand alone. We offer a full range of banking products and are also participants in the Government Schemes that are on offer. We pride ourselves on our customer service, adapting our service to what best suits you; if you cannot come to us, we come to you.

Our Vision – Australia's Bank of Choice.

Our Value – We are one Team with one vision.

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

We're the right bank with the right people.

This shows by our customer numbers increasing by 2.3% for the year. We are still attracting new customers from all over our region.

Community Bank Sarina celebrated 16 years on 8 June 2021. Once again, it wasn't the celebration we envisioned but still one we got to enjoy together and with our customers. We are all very proud of the achievements we have made, and our motto is – Here for you and here to stay and continue to support our community.

With a strong focus still around our youth, education and developing future community leaders, this was achieved through working closely with our local schools, through our scholarship for Year 11 & 12 at Sarina State High School and for the Year 6 students, presenting awards to recognise their commitment to their school and community. We are also continuing our ongoing partnership with CQUniversity where our Scholarship Program supports higher education and apprenticeships as they are the future of our community.

Staff

Our team are very focused on working with you to achieve your personal financial goals. Please meet our dedicated, passionate, and friendly team at our branch who are about putting people first and delivering a seamless customer experience:

Charmaine Matsen	Branch Manager
Emily Grigg	Business Development Manager
Roanna Bella	Customer Relationship Manager

Manager's report (continued)

Josephine Hersom	Customer Relationship Manager
Melissa Neilsen	Customer Relationship Officer
Kylie Schulze	Customer Service Officer
Josie Dahtler	Customer Service Officer

We are very fortunate at Community Bank Sarina to have a very experienced team who make you feel that you are the most important.

Appreciation

I would like to show my appreciation and sincere thanks to the Board. Their dedication and phenomenal amount of volunteer hours contributed to ensure our Community Bank sustained profitability and a strong community presence.

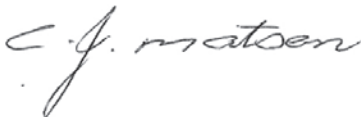
I would also like to extend my appreciation and deep gratitude to Patrice Willoughby, Executive Assistant to the Board. Without the tireless support given by Patrice my role would not have been manageable, and this has been proven in the successful community events we have held.

This year, our community investments were made possible by our shareholders and customers. Thank you for sharing your stories and your continued support with Community Bank Sarina. Without you, the support of our community is not possible. The team and I continue to work very hard to make this unique business successful and we have extreme passion and dedication towards making our customers banking experience exceptional and with a sense of belonging.

Our success thrives on our local community and support that we receive through our customers banking with us. We are proud to hold a very trusted brand name Bendigo and Adelaide Bank Limited. Our purpose is:

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

My personal thank you to everyone who has been directly involved in the success of Community Bank Sarina. I sincerely appreciate your support and advocacy, which has resulted in such rewarding outcomes in 2020/21.



Charmaine Matsen
Branch Manager

Community Engagement Program

For year ending 30 June 2021

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

Objectives

The objectives of the Community Engagement Program are to:

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

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

Since opening Community Bank Sarina in 2005, S&DCFSL has invested over \$2.7 million directly in community initiatives through Sponsorships, Community Grants and Donations. In addition, we support Scholarships, as well as a range of School Awards at Sarina State High School and our districts' primary schools.

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



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

Sponsorship

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

Marquee Program

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

Community Engagement Program (continued)

Community Grants

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

The COVID-19 pandemic led to multiple challenges. At a local level for the greater Sarina region, this meant community groups, many of which are volunteer run, reducing or even completely closing down their services. In a bid to ensure that our community did not miss out on essential services and connection, Community Bank Sarina contributed more than \$100,000 in community grants to over 20 local groups through the targeted COVID-19 Community Recovery Grants Program.

Donations

Donations are distinct from sponsorship and grants. A donation is focussed on charitable purposes to directly support an organisation and its community work.

Scholarships

Community Bank Sarina Bendigo Bank CQUniversity Higher Education Scholarship

The Scholarship aims to encourage the local community to study, live and work locally, by providing financial support to attend CQUniversity with Mackay as the home campus. There are two Scholarships available of \$6,000 each payable over three years. This Scholarship supports students within the Sarina/Mackay district studying business and business related degree programs as well as digital media, information technology, agriculture and science. Applications usually open in November and close 31 March the following year.

Community Bank Sarina Bendigo Bank Vocational Education and Training (Apprenticeship) Scholarship

The Scholarship aims to encourage the local community to study, live and work locally, by providing financial support and encouragement to take up a trade and undertake apprenticeship training at the local Mackay campus of CQUniversity. There are two Scholarships available of \$4,000 each payable over four years. The Scholarship supports students within the Sarina/Mackay district undertaking an Apprenticeship in these fields Electrical, Mechanical, Building and Construction, Automotive Engineering and Technology, Manufacturing Engineering and Technology, and Hairdressing.

Community Bank Sarina Higher Education Scholarship (General)

This Scholarship aims to encourage the local community to take up further studies by providing financial support and encouragement to attend University. This Scholarship supports students within the Sarina/Mackay region studying a degree at an approved Australian university that cannot reasonably be undertaken at CQUniversity as an on-campus Mackay student or an online student. The total Scholarship value is \$3,000 paid over three years. Applications usually open in November and close 31 March the following year.

Senior Schooling Community Citizenship Scholarship – Sarina State High School

The Scholarship supports students intending to complete Grades 11 and 12 (consecutively) attending Sarina State High School. The total Scholarship value is \$2,000 paid over two years and there are two scholarships available. The aim is to encourage students in the Sarina community to pursue higher studies and understand the importance of community service and citizenship.

Community Engagement Program (continued)

Community Investment 2020 - 2021

The tables below set out the major financial investment of the Community Engagement Program actually disbursed in the 2020/21 financial year.

Community Grants

Note: An amount of \$200,000 (ex GST) was transferred to the Community Enterprise Foundation™ in 2020/21 for community grant payments and to provide for future community initiatives.

Organisation	Project	Amount \$
Sarina Kennel Club Inc.	Finalise all abilities amenities block	30,000.00
St Anne's School P&F Association	School Fence upgrade	34,562.26
Koumala Progress Association Inc.	Community Digital Sign	23,500.00
Sarina Rural Skills Community Board Inc.	The Cadet Shed project	12,000.00
QCWA Pioneer Division	QCWA cottage Grasstree Beach upgrade and repairs	12,000.00
Sarina Community Tourist Art & Craft Co-Op Ltd	Purchase new IT and Sound Equipment	6,490.00
Crossroad Arts Inc.	Moving Image Project Workshop Sarina including hardware and software application.	5,000.00
Mudth-Niyleta Aboriginal and Torres Strait Islander Corporation	Computer upgrade	5,000.00
Mackay Region Council for Social Development	New computers	5,000.00
Wongabeena Aged Housing Sarina	CCTV security	5,000.00
Bakers Creek AFL Club Inc.	Computers and software programs	5,000.00
Sarina Bird Club Inc.	Development of Club Website	5,000.00
Armstrong Beach Area Progress Association Inc.	Purchase new IT and Sound Equipment	5,000.00
Sarina Darts Association Inc.	Computer Upgrades	4,900.00
Mackay North Horse and Pony Club	Community Digital Sign	4,598.18
QCWA Sarina Branch	Growing / Upskilling Senior Minds Program	4,515.50
Sarina & District Netball Association Inc.	Security cameras and computer	4,191.00
Sarina Rugby League Football Club Inc.	New computers	4,172.30
Sarina Landcare Catchment Management Association Inc.	Computer and hardware upgrade	3,649.80
Sarina Poultry Society Inc.	New computers and printer	3,124.00
Mackay Riding for Disabled	Defibrillator	2,535.00
QCWA Sarina Branch	Defibrillator	2,535.00
Gargett State School P&C Association	Defibrillator	2,525.00
The Scout Association of Australia Queensland Branch Inc. (Sarina)	New computers and financial software	2,455.20
Oakenden Primary P&C Association	Playgroup equipment	2,054.20

Community Engagement Program (continued)

Sponsorship Program		
Organisation	Project	Amount \$
Sarina Surf Life Saving Club Inc.	Sarina Beach 'Cruisin the Coast' Fun Run 2021 Naming Rights	9,090.90
Sarina District Schools Chaplaincy Committee	Transition to High School Program conducted by Sarina District Schools Chaplaincy	6,000.00
Mackay & District Mountain Bike Club	Club Sponsorship	4,545.45
Sarina Surf Life Saving Club Inc.	Club Sponsorship 2020	4,545.45
Mackay Region Chamber of Commerce Inc.	Corporate Sponsorship	4,500.00
Sarina Golf Club Inc.	Sponsorship of course signage	3,429.82
Chelona State School P&C Association	Sponsorship of Cocktails in the Country event	3,000.00
St Anne's School P&F Association	Sponsorship of Garden Party event	3,000.00
Australian Skateboarding Federation	Rumble on the Reef National Championships Mackay	3,000.00
Souths Whitsunday Sharks	Partnering Sponsorship	3,000.00
Sarina & District Netball Association Inc.	Club Sponsorship	2,727.27
The Creche & Kindergarten Association Limited	Fitness Fun Program	1,300.00
Koumala & District Bushman's Carnival	Sponsorship of Annual Carnival	1,232.92
Sarina & District Athletics Club Inc.	Club Sponsorship	1,100.00
Alligator Creek State School	Sponsorship of Trivia Night	1,000.00
Sarina Poultry Society Inc.	Partnering Sponsorship 2020	1,000.00
Rotary Club of Sarina Inc.	Sarina Debutante Ball	1,000.00
Sarina Demons AFL Club Inc.	Club Sponsorship Sarina Demons AFL	1,000.00
Clermont Race Club	Sponsorship of Clermont Races	909.09
Kidney Support Network Inc.	Sponsorship of Charity Golf Day	727.27
Zonta Club of Mackay Inc.	Event Sponsorship International Women's Day 2021	500.00
CQ Rescue	Golf Charity Day Sponsorship	250.00
Special Children's Christmas Party	Mackay Special Children's Christmas Party	227.27
Cape Palmerston Holiday Park	Sponsorship Cape Palmerston Camp Oven Cook Off	181.82
St Mary's Catholic Primary School	Sponsorship St Mary's School Trivia Night Fundraiser	100.00

Operational expenses associated with the overall Community Engagement Program, including marketing, advertising, signage, and printing, are not listed here.

Marquee Sponsorship Program

The total investment of \$6,143.92 was made under this program to provide a co-branded Marquee and physical promotional material for the following organisations:

- Oakenden State School
- Pioneer Catchment & Landcare Inc.
- Sarina & District Community Kindergarten
- Sarina Demons Junior AFL Club
- Sporting Shooters of Australia Association Sarina Branch Inc.

Community Engagement Program (continued)

Scholarship Program		
Program	Title	Amount \$
CQUniversity Scholarship	Higher Education Student Scholarship 2021-2023 (2 x \$6,000)	12,000.00
CQUniversity Scholarship	Vocational Education and Training (Apprenticeship) Scholarship 2021-2024 (2 x \$4,000)	8,000.00
CQUniversity Student Ambassador Program	Student Ambassador Program 2019-2021	2,000.00
University (General) Scholarship	Inaugural Higher Education Student Scholarship 2021-2023	3,000.00
Sarina State High School Scholarship	Senior Schooling Student Scholarship 2021-2022 (2 x \$2,000)	4,000.00
Sarina State High School Ambassadorship	Student Ambassador Program 2019-2020	250.00

Note: The CQUniversity and University Scholarships reflect the total value of the Scholarship for the respective period. The other payments are as disbursed in the 2020/21 financial year for the respective Program.

Donations	
Organisation	Amount \$
Community Enterprise Foundation™ NSW Flood Appeal	1,000.00
Community Enterprise Foundation™ WA Bushfire Appeal	1,000.00
Crossroad Arts Inc.	1,000.00
Lowanna House Inc.	1,000.00
Mackay Community Visitors Association	1,000.00
St Vincent de Paul – Mackay Men’s Homeless Hostel	1,000.00
The Salvation Army - Samaritan House	1,000.00
Eimeo Surf Life Saving Club	500.00
Finch Hatton Progress Association	500.00
Mackay Hospital Foundation	500.00
Sarina Range Community Association Inc.	500.00
Sarina Range Playgroup	500.00
Clermont Connect	500.00
Clermont Kindergarten & Day Care	500.00
Clermont RSL Sub-Branch	500.00
National Breast Cancer Foundation	200.00

Note: Donations under \$100 are not listed above.

Directors' report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during the financial year and to the date of this report are:

Karen Lesley May

Chair

Occupation: Councillor and Deputy Mayor

Qualifications, experience and expertise: Karen is a Councillor and Deputy Mayor of Mackay Regional Council. She is a graduate of the Australian Institute of Company Directors. Karen holds a Certificate III in Frontline Management and a Certificate in Community Development. She has 17 years local government experience, during which time she has held position of Councillor, Deputy Mayor and Mayor of Sarina Shire Council. Karen has been a small business owner and operator for the past 21 years, having owned Sarina Motor Inn and Hideaway Restaurant for five and half years, Sarina Eagle Boys Pizza for 10 years and Sarina Laundromat and vending business for the past 14 years. She managed the Sarina RSL Club from 1/1/2015 until 24/12/2016. Karen has been a Director/Chair of Mackay Regional Housing Company Ltd and Connect Housing for the past 11 years, whose goal is to manage and deliver affordable housing. She is also President of Greater Whitsunday Communities and is the Chair of the Mackay Women's Service. Karen is a Committee member on the Regional Development Australia - Greater Whitsunday region. She is currently undertaking a leadership course for Women in Local Government.

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

Interest in shares: 1,000 ordinary shares

Maree Gail Franettovich

Company Secretary

Occupation: Regional Stakeholder Manager Mackay - Whitsunday, Chamber of Commerce & Industry Queensland; Director Business Services Network Pty Ltd

Qualifications, experience and expertise: Maree holds a Bachelor of Business (Management and Human Resources), a Graduate Diploma of Management, Certificate in Governance Practice (GIA), Workplace Trainer accreditation, and is a Disc Advanced® Accredited Consultant. She is a Director of Business Services Network Pty Ltd, a boutique consultancy dedicated to tailored integrated strategic business solutions with a key focus on the right people management, developing managers and implementing specialised business frameworks. Maree was engaged by Chamber of Commerce and Industry Queensland in 2021 as Regional Stakeholder Manager for Mackay and Whitsunday. Maree has extensive business experience having worked in a diverse range of industries in Australia and overseas. She brings this professional acumen and expertise to her Director and community leadership roles. For many years, Maree was a lecturer in Business at CQUniversity, where she cofounded the highly successful Engage Mentor Program. She is a passionate regional advocate and an energetic and enthusiastic educator and coach. Maree is a member of the Australian Institute of Company Directors, Australian Institute of Managers and Leaders, the Australia New Zealand Regional Science Association International Inc, and the Queensland Rural, Regional and Remote Women's Network.

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

Interest in shares: 7,850 ordinary shares

George Edward (Ted) Malone

Non-executive Director

Occupation: Retired MP

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

Special responsibilities: Member Business & Community Engagement Committee

Interest in shares: 16,000 ordinary shares

Directors' report (continued)

Directors (continued)

Nicholas Paul McDougall

Non-executive Director

Occupation: French Polisher

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

Special responsibilities: Deputy Chair Business & Community Engagement Committee

Interest in shares: 3,400 ordinary shares

David Luigi Erba

Non-executive Director

Occupation: Sugarcane Grower

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

Special responsibilities: Chair Finance & Audit Committee

Interest in shares: nil share interest held

Directors were in office for this entire year unless otherwise stated.

No directors have material interest in contracts or proposed contracts with the company.

Company Secretary

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

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of these activities during the financial year.

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
139,654	117,244

Directors' report (continued)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Karen Lesley May	1,000	-	1,000
Maree Gail Franettovich	7,650	200	7,850
George Edward (Ted) Malone	16,000	-	16,000
Nicholas Paul McDougall	3,400	-	3,400
David Luigi Erba	-	-	-

Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	8	57,608

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the companies financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future 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.

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.

Indemnification 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. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' report (continued)

Directors' meetings

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:

E - eligible to attend
A - number attended

Board Meetings Attended	Committee Meetings					
	Finance & Audit		Business & Community Engagement			
<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	
Karen Lesley May	11	10	5	5	12	11
Maree Gail Franettovich	11	11	5	5	12	12
George Edward (Ted) Malone	11	10	-	-	12	11
Nicholas Paul McDougall	11	11	-	-	12	12
David Luigi Erba	11	11	5	5	12	10

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*.

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 26 to the accounts.

The board of directors has considered the non-audit services provided during the year by the Finance and Governance Committee and, in accordance with the advice received from the Finance & Audit Committee, 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 Finance & Audit Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

Signed in accordance with a resolution of the directors at Sarina, Queensland.



Karen Lesley May, Chair

Dated this 14th day of September 2021

Auditor's independence declaration



61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

As lead auditor for the audit of Sarina and District Community Financial Services Ltd for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 14 September 2021

A handwritten signature in black ink, appearing to read 'Adrian Downing'.

Adrian Downing
Lead Auditor



Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	1,441,502	1,293,136
Other revenue	9	8,680	25,000
Finance income	10	4,367	5,898
Employee benefit expenses	11e)	(579,098)	(555,972)
Charitable donations, sponsorship, advertising and promotion	11c)	(360,709)	(305,916)
Occupancy and associated costs		(41,835)	(44,510)
Systems costs		(21,454)	(22,605)
Depreciation and amortisation expense	11a)	(93,483)	(91,028)
Finance costs	11b)	(16,939)	(11,363)
General administration expenses		(154,709)	(137,866)
Profit before income tax expense		186,322	154,774
Income tax expense	12a)	(46,668)	(37,530)
Profit after income tax expense		139,654	117,244
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		139,654	117,244
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29a)	19.39	16.28

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	778,984	650,632
Trade and other receivables	14a)	79,806	104,517
Current tax assets	18a)	-	24,391
Total current assets		858,790	779,540
Non-current assets			
Property, plant and equipment	15a)	253,518	277,440
Right-of-use assets	16a)	400,042	421,073
Intangible assets	17a)	49,186	63,136
Total non-current assets		702,746	761,649
Total assets		1,561,536	1,541,189
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	36,269	80,319
Current tax liabilities	18a)	33,456	-
Lease liabilities	20a)	25,897	24,579
Total current liabilities		95,622	104,898
Non-current liabilities			
Trade and other payables	19b)	28,526	57,052
Lease liabilities	20b)	424,570	442,950
Provisions	21a)	22,604	21,819
Deferred tax liability	18b)	17,334	23,635
Total non-current liabilities		493,034	545,456
Total liabilities		588,656	650,354
Net assets		972,880	890,835
EQUITY			
Issued capital	22a)	688,018	688,018
Retained earnings	23	284,862	202,817
Total equity		972,880	890,835

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2021

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019		688,018	157,584	845,602
Total comprehensive income for the year		-	117,244	117,244
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28a)	-	(72,011)	(72,011)
Balance at 30 June 2020		688,018	202,817	890,835
Balance at 1 July 2020		688,018	202,817	890,835
Total comprehensive income for the year		-	139,654	139,654
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28a)	-	(57,609)	(57,609)
Balance at 30 June 2021		688,018	284,862	972,880

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,607,358	1,404,038
Payments to suppliers and employees		(1,328,540)	(1,205,237)
Interest received		3,967	5,478
Lease payments (interest component)	11b)	(16,154)	(10,100)
Lease payments not included in the measurement of lease liabilities	11f)	(7,969)	(7,987)
Income taxes received/(paid)		4,877	(14,174)
Net cash provided by operating activities	24	263,539	172,018
Cash flows from investing activities			
Payments for property, plant and equipment		(27,065)	(71,753)
Payments for intangible assets		(25,933)	-
Net cash used in investing activities		(52,998)	(71,753)
Cash flows from financing activities			
Lease payments (principal component)		(24,580)	(29,018)
Dividends paid	28a)	(57,609)	(72,011)
Net cash used in financing activities		(82,189)	(101,029)
Net cash increase/(decrease) in cash held		128,352	(764)
Cash and cash equivalents at the beginning of the financial year		650,632	651,396
Cash and cash equivalents at the end of the financial year	13	778,984	650,632

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Sarina and District Community Financial Services Ltd (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
37 Broad Street Sarina QLD 4737	37 Broad Street Sarina QLD 4737

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 27.

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. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 14 September 2021.

Note 3 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 2020, 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.

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

<u>Revenue</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 Goods and Services Tax (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 – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Ability to change financial return (continued)

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.

b) Other revenue

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</u>	<u>Revenue recognition policy</u>
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	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.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
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 Goods and Services Tax (GST).

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

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

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

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

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

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

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

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

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

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

d) Employee benefits

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

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income 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.

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax (continued)

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.

Goods and Services Tax

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.

f) 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.

g) 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.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	4 to 40 years
Plant and equipment	Straight-line	1 to 40 years
Motor vehicles	Straight-line	5 years

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

h) Intangible assets

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments

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

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.

j) 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 2021.

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

m) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

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

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

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

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

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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Notes to the financial statements (continued)

Note 5 Significant accounting judgements, estimates, and assumptions (continued)

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

<u>Note</u>	<u>Judgement</u>
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 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 of directors.

a) Credit risk

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

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

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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 flows amounts are gross and undiscounted.

Notes to the financial statements (continued)

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

Exposure to liquidity risk (continued)

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	450,467	41,426	165,703	362,477
Trade and other payables	64,795	36,269	28,526	-
	<u>515,262</u>	<u>77,695</u>	<u>194,229</u>	<u>362,477</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	467,529	40,734	162,939	397,162
Trade and other payables	137,371	80,319	57,052	-
	<u>604,900</u>	<u>121,053</u>	<u>219,991</u>	<u>397,162</u>

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$778,984 at 30 June 2021 (2020: \$650,632). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors 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 year ended 30 June 2021 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.

Notes to the financial statements (continued)

Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	1,240,279	1,081,522
- Fee income	84,672	87,293
- Commission income	116,551	124,321
	<u>1,441,502</u>	<u>1,293,136</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	-	10,000
- Cash flow boost	5,000	15,000
- Other income	3,680	-
	<u>8,680</u>	<u>25,000</u>

Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	4,367	5,898

Finance income is recognised when earned using the effective interest rate method.

Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	10,908	11,535
- Plant and equipment	28,134	24,057
- Motor vehicles	11,944	14,475
	<u>50,986</u>	<u>50,067</u>

Depreciation of right-of-use assets

- Leased land and buildings	28,547	27,011
-----------------------------	--------	--------

Amortisation of intangible assets:

- Franchise fee	2,325	2,325
- Franchise renewal process fee	11,625	11,625
	<u>13,950</u>	<u>13,950</u>

Total depreciation and amortisation expense

93,483 91,028

b) Finance costs

Finance costs:

- Lease interest expense	16,154	10,100
- Unwinding of make-good provision	785	1,263
	<u>16,939</u>	<u>11,363</u>

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

c) Charitable donations, sponsorship, advertising and promotion

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 and community grants).

Notes to the financial statements (continued)

Note 11 Expenses (continued)

c) Charitable donations, sponsorship, advertising and promotion (continued)

	Note	2021 \$	2020 \$
- Direct sponsorship, advertising, and promotion payments		140,709	144,834
- Contribution to the Community Enterprise Foundation™ (CEF)	11d)	220,000	161,082
		<u>360,709</u>	<u>305,916</u>

The funds contributed are held by the CEF and are available for distribution as community grants to eligible applicants for a specific purpose in consultation with the directors.

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

d) Community Enterprise Foundation™ contributions

During the financial year the company contributed funds to the CEF, the philanthropic arm of the Bendigo Bank. These contributions paid in form part of community grants and charitable donations expenditure included in profit or loss.

Disaggregation of CEF funds

	Note	2021 \$	2020 \$
Opening balance		512,907	493,400
Contributions paid in	11c)	220,000	161,082
Grants paid out		(280,342)	(137,230)
Interest received		1,883	2,976
Management fees incurred		(9,999)	(7,321)
Balance available for distribution		<u>444,449</u>	<u>512,907</u>

e) Employee benefit expenses

Wages and salaries		464,737	443,967
Non-cash benefits		6,209	6,356
Contributions to defined contribution plans		46,223	41,074
Expenses related to long service leave		6,207	5,413
Other expenses		55,722	59,162
		<u>579,098</u>	<u>555,972</u>

f) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>7,969</u>	<u>7,090</u>

Note 12 Income tax expense

a) Amounts recognised in profit or loss

Current tax expense

	2021 \$	2020 \$
- Current tax	52,970	8,117
- Movement in deferred tax	(5,609)	11,797
- Adjustment to deferred tax on AASB 16 retrospective application	-	18,980
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	(693)	(1,364)
	<u>46,668</u>	<u>37,530</u>

Notes to the financial statements (continued)

Note 12 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2021 \$	2020 \$
Operating profit before taxation	186,322	154,774
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	48,444	42,563
Tax effect of:		
- Non-deductible expenses	217	456
- Temporary differences	5,609	(30,777)
- Other assessable income	(1,300)	(4,125)
- Movement in deferred tax	(5,609)	11,797
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	(693)	(1,364)
- Leases initial recognition	-	18,980
	<u>46,668</u>	<u>37,530</u>

Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	477,554	388,340
- Term deposits	301,430	262,292
	<u>778,984</u>	<u>650,632</u>

Note 14 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	69,221	81,073
Prepayments	8,945	11,713
Other receivables and accruals	1,640	11,731
	<u>79,806</u>	<u>104,517</u>

Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	277,444	277,444
Less: accumulated depreciation	(151,289)	(140,381)
	<u>126,155</u>	<u>137,063</u>
<i>Plant and equipment</i>		
At cost	202,800	175,736
Less: accumulated depreciation	(104,274)	(76,140)
	<u>98,526</u>	<u>99,596</u>

Notes to the financial statements (continued)

Note 15 Property, plant and equipment (continued)

a) Carrying amounts (continued)	2021	2020
	\$	\$
<i>Motor vehicles</i>		
At cost	88,398	88,398
Less: accumulated depreciation	(59,561)	(47,617)
	<u>28,837</u>	<u>40,781</u>
Total written down amount	<u>253,518</u>	<u>277,440</u>
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	137,063	145,380
Additions	-	3,218
Depreciation	(10,908)	(11,535)
	<u>126,155</u>	<u>137,063</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	99,596	10,692
Additions	27,064	112,961
Depreciation	(28,134)	(24,057)
	<u>98,526</u>	<u>99,596</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	40,781	55,256
Depreciation	(11,944)	(14,475)
	<u>28,837</u>	<u>40,781</u>
Total written down amount	<u>253,518</u>	<u>277,440</u>

c) 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 16 Right-of-use assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	702,609	695,092
Less: accumulated depreciation	(302,567)	(274,019)
Total written down amount	<u>400,042</u>	<u>421,073</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	421,073	-
Initial recognition on transition	-	400,554
Accumulated depreciation on adoption	-	(247,008)
Remeasurement adjustments	7,516	294,538
Depreciation	(28,547)	(27,011)
Total written down amount	<u>400,042</u>	<u>421,073</u>

Notes to the financial statements (continued)

Note 17 Intangible assets

a) Carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	93,773	93,773
Less: accumulated amortisation	(85,575)	(83,250)
	<u>8,198</u>	<u>10,523</u>
<i>Franchise renewal process fee</i>		
At cost	168,865	168,865
Less: accumulated amortisation	(127,877)	(116,252)
	<u>40,988</u>	<u>52,613</u>
Total written down amount	<u>49,186</u>	<u>63,136</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	10,523	2,043
Additions	-	10,805
Amortisation	(2,325)	(2,325)
	<u>8,198</u>	<u>10,523</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	52,613	10,212
Additions	-	54,026
Amortisation	(11,625)	(11,625)
	<u>40,988</u>	<u>52,613</u>
Total written down amount	<u>49,186</u>	<u>63,136</u>
c) Changes 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 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax payable/(refundable)	<u>33,456</u>	<u>(24,391)</u>
b) Deferred tax		
<i>Deferred tax assets</i>		
- expense accruals	775	781
- make-good provision	5,651	5,673
- lease liability	112,617	121,558
Total deferred tax assets	<u>119,043</u>	<u>128,012</u>

Notes to the financial statements (continued)

Note 18 Tax assets and liabilities (continued)

<i>Deferred tax liabilities</i>	2021 \$	2020 \$
- income accruals	410	322
- property, plant and equipment	35,956	41,846
- right-of-use assets	100,011	109,479
Total deferred tax liabilities	<u>136,377</u>	<u>151,647</u>
Net deferred tax assets (liabilities)	<u>(17,334)</u>	<u>(23,635)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(6,301)</u>	<u>(29,411)</u>
Movement in deferred tax charged to Statement of Changes in Equity	<u>-</u>	<u>18,980</u>

Note 19 Trade creditors and other payables

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

a) Current liabilities	2021 \$	2020 \$
Trade creditors	5,371	54,852
Other creditors and accruals	30,898	25,467
	<u>36,269</u>	<u>80,319</u>
b) Non-current liabilities		
Other creditors and accruals	<u>28,526</u>	<u>57,052</u>

Note 20 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 on the adoption date. The discount rate used on recognition was 4.79%. Subsequent lease arrangements entered into were discounted at 3.54%.

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 company's lease portfolio includes:

- Sarina Branch The lease agreement commenced in April 2010. A 5 year renewal option was exercised in April 2020. The company has 2 x 5 year renewal options available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is April 2035.

a) Current lease liabilities	2021 \$	2020 \$
Property lease liabilities	41,426	40,734
Unexpired interest	(15,529)	(16,155)
	<u>25,897</u>	<u>24,579</u>
b) Non-current lease liabilities		
Property lease liabilities	528,180	560,101
Unexpired interest	(103,610)	(117,151)
	<u>424,570</u>	<u>442,950</u>

Notes to the financial statements (continued)

Note 20 Lease liabilities (continued)

c) Reconciliation of lease liabilities	2021 \$	2020 \$
Balance at the beginning	467,529	-
Initial recognition on AASB 16 transition	-	194,645
Remeasurement adjustments	7,518	301,902
Lease interest expense	16,154	10,100
Lease payments - total cash outflow	(40,734)	(39,118)
	<u>450,467</u>	<u>467,529</u>
d) Maturity analysis		
- Not later than 12 months	41,426	40,734
- Between 12 months and 5 years	165,703	162,939
- Greater than 5 years	362,477	397,162
Total undiscounted lease payments	<u>569,606</u>	<u>600,835</u>
Unexpired interest	(119,139)	(133,306)
Present value of lease liabilities	<u>450,467</u>	<u>467,529</u>

Note 21 Provisions

a) Non-current liabilities	2021 \$	2020 \$
Make-good on leased premises	<u>22,604</u>	<u>21,819</u>

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 of \$36,752 based on experience and consideration of the expected future costs to remove all fittings as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 March 2035 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	720,109	720,109	720,109	720,109
Less: equity raising costs	-	(32,091)	-	(32,091)
	<u>720,109</u>	<u>688,018</u>	<u>720,109</u>	<u>688,018</u>

b) 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.

Notes to the financial statements (continued)

Note 22 Issued capital

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

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 they control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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

Note 23 Retained earnings

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		202,817	207,623
Adjustment for transition to AASB 16		-	(50,039)
Net profit after tax from ordinary activities		139,654	117,244
Dividends provided for or paid	28a)	(57,609)	(72,011)
Balance at end of reporting period		<u>284,862</u>	<u>202,817</u>

Notes to the financial statements (continued)

Note 24 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	139,654	117,244
Adjustments for:		
- Depreciation	79,533	77,078
- Amortisation	13,950	13,950
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	24,712	(39,316)
- (Increase)/decrease in other assets	24,391	(1,805)
- Increase/(decrease) in trade and other payables	(46,640)	(6,828)
- Increase/(decrease) in provisions	785	1,263
- Increase/(decrease) in tax liabilities	27,154	10,432
Net cash flows provided by operating activities	<u>263,539</u>	<u>172,018</u>

Note 25 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 \$	2020 \$
Financial assets			
Cash and cash equivalents	13	477,554	388,340
Term deposits	13	301,430	262,292
Trade and other receivables	14	70,861	92,804
		<u>849,845</u>	<u>743,436</u>
Financial liabilities			
Trade and other payables	19	64,795	137,371
Lease liabilities	20	450,467	467,529
		<u>515,262</u>	<u>604,900</u>

Note 26 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	-
- General advisory services	2,850	3,335
- Share registry services	3,827	4,426
Total auditor's remuneration	<u>12,277</u>	<u>12,561</u>

Notes to the financial statements (continued)

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

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

b) Key management personnel compensation

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.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

Note 28 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	8	57,609	10	72,011

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

b) Franking account balance

	2021	2020
	\$	\$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	194,003	181,193
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(35,227)	(3,606)
- Franking credits from tax instalments paid	30,350	43,730
- Franking debits from the payment of franked distributions	(20,241)	(27,314)
Franking account balance at the end of the financial year	168,885	194,003
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	33,456	(24,391)
Franking credits available for future reporting periods	202,341	169,612

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%.

Notes to the financial statements (continued)

Note 29 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021	2020
	\$	\$
Profit attributable to ordinary shareholders	139,654	117,244
	Number	Number
Weighted-average number of ordinary shares	720,109	720,109
	Cents	Cents
Basic and diluted earnings per share	19.39	16.28

Note 30 Commitments

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

Note 31 Contingencies

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

Note 32 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Directors' declaration

In accordance with a resolution of the directors of Sarina and District Community Financial Services Ltd, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are 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 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



Karen Lesley May, Chair

Dated this 14th day of September 2021

Independent audit report



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sarina and District Community Financial Services Ltd's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Sarina and District Community Financial Services Ltd, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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





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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 14 September 2021

Adrian Downing
Lead Auditor

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