

Annual Report 2022

Sarina and District Community Financial Services Limited

Community Bank Sarina

ABN 28 112 407 182



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Chair's report

For year ending 30 June 2022

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, supporting and developing the capacity of our community by working with community organisations, sporting organisations, local schools and CQUniversity. This approach achieves effective results for the business, customers, shareholders, and the wider community. Community Bank Sarina in our franchise arrangement with Bendigo and Adelaide Bank strives to achieve the bank's vision to be Australia's Bank of Choice. We aim to achieve this by helping our customers and the community in which we operate to be successful. Our purpose is to feed into the community's prosperity and not off it. This approach also enables us to create good brand awareness and reinforce our reputation in the community.

The COVID-19 pandemic continues to impact our business with staff shortages due to sick and family leave making it difficult to maintain a full staffing complement. The Board has implemented measures within the branch to ensure that our customers and branch team's health and safety are top of mind. 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. Generally, staffing shortages across our region are also making it difficult to attract new employees.

During the past year Bendigo and Adelaide Bank have undertaken a number of changes and developed strategies to enhance the Community Bank network's performance and ensure the bank is in a strong competitive position. I attend bi-monthly meetings with the State Manager, Bendigo and Adelaide Bank staff, along with all Community Bank Chairs throughout the state. This enables all Community Banks to stay up-to-date with the banking business. Bendigo and Adelaide Bank continues to implement the national and state marketing plans and Maree Franettovich as the Community Bank National Council elected representative, represents all Community Banks in Central and North Queensland at these meetings. This national and state approach has enabled a more effective marketing spend and greater coverage in the marketplace. At a local level our Company undertakes a complementary localised marketing strategy.

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 have enabled the business to grow over the past 12 months. Charmaine's team has been working hard to deliver on the bank's vision to be Australia's Bank of Choice.

Performance

This year has seen a slight decrease in our overall profit. We have continued to contribute a significant amount of funds to the Community Enterprise Foundation™. These contributions enable the Board to carry out the Community Engagement Program and reduce our tax liabilities. The team have been working diligently to try and counteract the discharges of loans with the writing of new business. Overall, we are down slightly on last year and this is mostly due to a high number of discharges, however we did experience a significant uptake in deposits resulting in stable business of \$182 million. We have seen the Company's revenue decrease slightly from \$1,454,549 down to \$1,445,217 while we have experienced a slight increase in operating costs. This has resulted in an overall decrease in the Company's profit before tax of \$184,633 compared to last year \$186,322.

The Board has been proactive ensuring that we continue to meet the Community Engagement Program objectives: building the capacity of local community organisations, strengthening relationships between the bank, community organisations and providing a range of grants, sponsorship and donations that provide a direct benefit to Sarina and district community. We have invested a record amount of \$424,036 in charitable donations, projects, sponsorships, marketing and advertising, during the past 12 months.

Chair's report (continued)

The Directors and banking team have been focussed on delivering on our three-year Strategic Plan that was developed last year. The strategic plan consisting of six focus areas that 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 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. This year we have seen the addition of a new Director, Raine Shepperson, who joined us in February 2022.

Community Engagement

The Board has continued to invest in the Scholarship Program with CQUniversity. The higher education scholarship is provided for students who are studying an undergraduate degree in the fields of Business, Accounting, Law, Digital Media, Information Technology, Agriculture and Science. Congratulations to the 2022 Scholarship recipients: Taya Murray - Bachelor of Science; Jaymi Cook - Bachelor of Digital Media; and Lucy Hamblin - Bachelor of Agriculture (Agribusiness).

In addition, we have continued the Vocational Education and Training (Apprenticeship) Scholarship in association with CQUniversity to enable two apprentices to be awarded. We welcome the 2022 recipients: Andrew Vrbancic who is undertaking his apprenticeship in plumbing and Jordan Patullo (Ruddell) who is undertaking her apprenticeship in engineering fabrication.

We continue to work with Sarina High School, now offering two scholarships for students commencing grade eleven. This scholarship is for a two-year duration. This year's scholarship recipients are Brock Raward and Logan Bryant. Our 2021 recipients, Emma Simpson and Mason McArthur continue to achieve great results as they complete Grade 12. All our awardees have been worthy recipients of the scholarship 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 17th birthday. Due to the ongoing COVID-19 restriction we did not hold a birthday function, so the Board opted to celebrate by making several donations to worthy community-based organisations.

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

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

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 and State Manager Queensland Gavin Holden. It is through this close working relationship with the Bendigo and Adelaide Bank team that the Company can deliver to our shareholders a dividend of ten cents per share, fully franked, for 2022.

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. Maree Franettovich was successfully elected to represent Central and North Queensland on the Community Bank National Council due to my resignation from the role in November 2021. This is the conduit between Bendigo and Adelaide Banking Executive and Community Bank Companies. The Community Bank National Council continues to develop and progress the banking model.

Chair's report (continued)

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 former Executive Assistant, Patrice Willoughby, and our new Executive Assistant, Sheryl Brown, who both have proven to be a great asset to the Company during the past 12 months. Sheryl is an employee of the Company and supports the sub-committees, assists with administering the grants and sponsorship, 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 2022

To our shareholders and customers

I am pleased to report that Community Bank Sarina has achieved profitable growth. As at 30 June 2022 your Community Bank Sarina holds a lending book of \$91,905 million and a deposit book of \$84,385 million, with our total business for the period of 2021-22 comprising \$182 million, including small and commercial business, financial markets and Rural Bank.

Performance

We settled \$17.1 million in lending this year, however experienced actual negative growth of \$10.4 million. We were once again hit significantly with discharges, mainly due to property sales, resulting in loan payouts of \$21.1 million, with customers taking advantage of the growth phase in the marketplace.

With our deposit book we achieved 219% of our growth target, growing our deposit book by \$11 million due to the team continuing to focus on building new relationships to gain new deposit funds.

Our overall total business of \$182 million has not decreased since 2020-21 with the increase in deposit funds balancing this out.

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 Bigger Better Bank and like to stand alone. We offer a full suite of banking products and we 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 bank.

We're the right bank with the right people.

This is demonstrated with our customer numbers increasing by 6.1% for the year. We are still attracting new customers from all over our region. Thank you to our customers and community for your advocacy of Community Bank Sarina.

Community Bank Sarina celebrated 17 years on 8 June 2022. Once again it wasn't the celebration we envisioned but one still we got to enjoy together and with our customers. We are all very proud of the achievements we have made #takingcareofcommunity #takingcareofbusiness and #takingcareofyou.

With a strong focus still around our youth, education and developing future community leaders, this was achieved through working closely with our local schools including the Scholarship Program at Sarina State High School for grades 11 and 12, and in the primary schools, presenting the Community Citizenship Awards to year 6 students to recognise their commitment to their school and community. We continue our ongoing partnership with CQUniversity Mackay where our Scholarship Program supports both higher education and apprenticeships, developing future community leaders.

Manager's report (continued)

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 a seamless customer experience.

Charmaine Matsen	Branch 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 and make you feel that YOU are the most important.

Appreciation

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

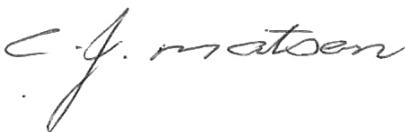
I would also like to extend my appreciation and deep gratitude to Patrice Willoughby, Executive Assistant to the Board. Patrice resigned in January 2022 to further her career and we wish her all the best in her new endeavours. We welcomed Sheryl Brown as our new Executive Assistant, who has taken on the role with great passion and I look forward to strengthening our Community involvement together.

This year, our community investments were made possible by our shareholders and customers. Thank you for sharing your stories and your continued support of Community Bank Sarina. Without you this is not possible. The team and I continue to work very diligently 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.



Charmaine Matsen
Manager

Community Engagement Program

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

Objectives

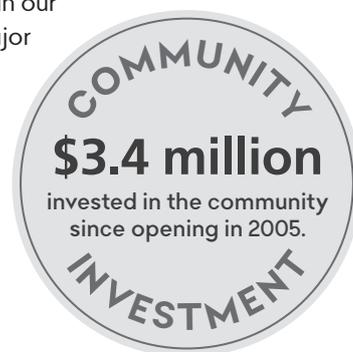
The objectives of the Community Engagement Program are to:

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

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

Since opening Community Bank Sarina in 2005, SDCFSL has invested over \$3.4 million directly in community initiatives through Sponsorships, Community Grants and Donations. In addition, we support Scholarships, as well as a range of School Awards at Sarina State High School and our district's primary schools.

This only is possible thanks to 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)



L-R: Kylie John, Maree Franettovich, Neil John, Cr Karen May, Max Vernon, January Sarich, Lisa Vernon, Charmaine Matsen.

Community Grants

A Community Grant is focussed on building capacity to address local needs and make a positive contribution to the Sarina and district community. When Community Bank Sarina provides a Community Grant investment to an organisation, there must be positive benefit 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 provided various support to community groups with technology and training to better utilise online platforms.

Donations

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

Community Engagement Program (continued)

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 preferably 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 Accounting, Agriculture, Business, Digital Media, Environmental Science, Information Technology, Law and Science (CU18). Applications usually open in November and close 31 March the following year.

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

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: Automotive Engineering and Technology, Building and Construction, Electrical, Horticulture, Hairdressing, Manufacturing Engineering and Technology, and Mechanical trades. Applications usually open in November and close 31 March the following year.

Senior Schooling Community Citizenship – 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.



L-R: Prof Pierre Viljoen, Cr Karen May, Jaymi Cook, Jordan Patullo (Ruddell), Lucy Hamblin, Andrew Vrbanic, Taya Murray, Maree Franettovich, Charmaine Matsen.

Community Engagement Program (continued)

Community Investment 2021-22

The tables below set out the major financial investment of the Community Engagement Program actually disbursed in the 2021-22 financial year.

Community Grants		
Organisation	Project	Amount \$
Mackay Hospital Foundation	Blanket Warmers & Treatment Chairs Sarina Hospital	17,768.85
Sarina & District Community Kindergarten Association Inc	Repainting project	12,620.30
Mackay Community Visitors Association Inc	Vehicle to accommodate wheelchair	11,000.00
Sarina Poultry Society Inc	Dining Area Facelift project.	7,130.00
St Lawrence Public Sportsground Committee Inc	Men's Shed project	7,000.00
Australian Street Aid Project Ltd	Facilities	4,941.93
Mackay Hospital Foundation	Vital Signs Monitors	4,893.90
Dundula State School Parents & Citizens Association	Memorial wall - 100 year anniversary	4,553.50
Homebush State School P&C Association	Store More project	3,798.40
Sarina District Schools Chaplaincy	Equipping Chaplains project	2,804.00
Finch Hatton State School Parents & Citizens Association	School Defibrillator	2,525.00
Sarina District Schools Chaplaincy	Moving with the Times project	1,711.20

Note: An amount of \$300,000 (inc GST) was transferred to the Community Enterprise Foundation™ in 2021-22 for community grant payments and to provide for future community initiatives.

Sponsorship Program		
Organisation	Activity	Amount \$
Sarina Surf Life Saving Club Inc	Sarina Beach 'Cruisin the Coast' Fun Run 2022 Naming Rights & event activation	7,500.00
Mackay Region Chamber of Commerce Inc	Corporate Sponsorship & Events	7,260.00
Australian Skateboarding Federation	Rumble on the Reef Festival Mackay & Sponsorship activation	6,672.00
Sarina Surf Life Saving Club Inc	Club Signage	6,451.00
Sarina Bowls Club Inc	Club Sponsorship	5,000.00
2022 Confraternity Rugby League & QISSN Netball Carnival	Event Sponsorship, activation & promotional signage	4,756.00
Bakers Creek Tigers AFL Club	Club Sponsorship & signage	3,820.00
Zone 10 Pony Club Inc	2021 Pony Club Queensland State Titles	3,500.00
RSPCA Fundraising	Calendar 2022 printing	3,325.00
Sarina Cricket Association Inc	Club Sponsorship	3,000.00

Community Engagement Program (continued)

Sponsorship Program (continued)		
Organisation	Activity	Amount \$
Sarina Beach Progress Association Inc	Sarina Beach Coconut Festival	3,000.00
Koumala Progress Association Inc	Community Christmas Fair	3,000.00
Greater Whitsunday Communities	Vehicle signage	2,321.00
Mackay Community Visitors Association Inc	Community Visitor Transport Van signage	2,134.00
Oztag Queensland	Referee Uniforms	2,100.00
Sarina & District Schools Chaplaincy	Skills Development & Promotional Collateral	1,930.50
The Creche & Kindergarten Association Limited	Squirtz Fitness Program 2021-22	1,573.00
Zonta International District 22 Ltd	Sponsorship of Conference	1,500.00
The Creche & Kindergarten Association Limited	Squirtz Fitness Program 2020-21	1,475.00
Sarina State High School	Student Leadership and Wellness Retreat	1,400.00
Sarina & District Schools Chaplaincy	Committee and Chaplains Uniforms	1,287.00
St Lawrence Wetlands Week-end	Event Sponsorship	1,100.00
Pioneer Valley Country Music Association	Pioneer Valley Country Music Festival	1,000.00
Alligator Creek School Parents & Citizens Association	125 Anniversary School Celebration	1,000.00
Carmila Sports Reserve Association Inc	2021 Community Christmas Tree Event	1,000.00
Eungella State School Parents & Citizens Association	Festival of Small Halls	1,000.00
Shades of Women	Event in support of domestic violence prevention	1,000.00
Sarina Painwise Community Support Initiative	Program Sponsorship	550.00
Mackay Ag Trade Expo	Event Sponsorship	500.00
Zonta Club of Mackay Inc.	International Women's Day 2022 Event Sponsorship	500.00
QCWA Sarina	QCWA 100 years celebration	429.00
Kidney Support Network Inc.	Sponsorship of Charity Golf Day	400.00
Cape Palmerston Holiday Park	Sponsorship Cape Palmerston Camp Oven Cook Off	250.00
Sarina Community Skills Centre	Prizes for Annual Rural Skills Competition	244.75
St Mary's Catholic Primary School	St Mary's School Trivia Night Fundraiser	100.00

These figures may include sponsorship activation and promotion in addition to the direct payment to the sponsoree. Operational expenses associated with the overall Community Engagement Program, including marketing, advertising, signage, and printing, are not always included here unless specified.

Community Engagement Program (continued)

Marquee Sponsorship Program

The total investment of \$10,042.20 was made under this program to provide a co-branded Marquee and a range of physical promotional material to the following organisations:

- Breakaway Horse Riders Club
- Eungella Community Development Association
- Eungella State School Parents & Citizens Association
- Oztag Mackay
- Sarina Beach Progress Association Inc

Scholarship Program

Program	Title	Amount \$
CQUniversity Scholarship	Higher Education Student Scholarship 2022-24 (2 x \$6000)	12,000.00
CQUniversity Scholarship	Vocational Education and Training (Apprenticeship) Scholarship 2022-25 (2 x \$4000)	8,000.00
Sarina State High School Scholarship	Senior Schooling Community Citizenship Student Scholarship 2021-22 (2 x \$2000)	4,000.00

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

Donations

Organisation	Amount \$
Red Bench Project	1,650.00
The Neighbourhood Hub	1,100.00
Mackay Animal Rescue Society Inc	1,000.00
Sarina & District Community Men's Shed Inc	1,000.00
International Men's Day Mackay Inc - Shed Happens	1,000.00
Volunteer Marine Rescue Mackay	1,000.00
CrossRoad Arts Inc	1,000.00
Community Enterprise Foundation™ Queensland Flood Appeal	1,000.00
Queensland Country Women's Association Sarina	720.00
Mackay Hospital Foundation	500.00
Sarina Landcare Catchment Management Association	500.00
Blair Athol Clermont Bowls Club	350.00

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

Bendigo and Adelaide Bank report

For year ending 30 June 2022

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

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

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

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

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

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

Warmest regards,



Justine Minne
Bendigo and Adelaide Bank

Community Bank National Council report

For year ending 30 June 2022

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

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches.

The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer Directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country. It's not uncommon to visit a country town and see the Community Bank logo affixed to public amenities; at the front of schools, and on the perimeter of sporting clubs – such is the breadth and depth of our investments over the years.

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

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

The three strategic pillars of the 2022-23 CBNC strategy are to:

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

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

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

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

Warm regards



Sarah Franklyn
CBNC Chair

Directors' report

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

Directors

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

Name: Karen Lesley May
Title: Chair
Experience and expertise: Councillor and Deputy Mayor. 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 18 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 22 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 15 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 12 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 has completed a leadership course for Women in Local Government.

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

Name: Maree Gail Franettovich
Title: Company Secretary
Experience and expertise: Maree is a graduate of the Australian Institute of Company Directors. She also holds a Bachelor of Business (Management and Human Resources), a Graduate Diploma of Management, Certificate in Governance Practice (GIA), Workplace Trainer accreditation, and is a DISC Advanced® Accredited Consultant. Maree is founder and owner of CareerForce Australia, a career development and management consultancy, as well as a Director of Business Services Network Pty Ltd, a boutique consultancy dedicated to tailored strategic business solutions with a key focus on the right people management, developing managers and implementing specialised business frameworks. She recently held a role with Chamber of Commerce and Industry Queensland as Regional Stakeholder Manager. Maree has extensive business experience having worked in a diverse range of industries in Australia and overseas. She brings this professional acumen and expertise to her Director and community leadership roles. For many years, 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 career coach. Maree is a Director of Mackay Regional Housing Company Ltd and Connect Housing; Reef Catchments Ltd; Catchment Solutions; and a Committee Member of Regional Development Australia – Greater Whitsundays. She holds membership of the Australian Institute of Managers and Leaders, the Australia New Zealand Regional Science Association Inc, and Queensland Rural, Regional and Remote Women's Network.

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

Directors' report (continued)

Name:	George Edward (Ted) Malone
Title:	Non-executive director
Experience and expertise:	Retired MP. Ted is a retired Member of the Queensland Parliament (1994-2015) and was Assistant Minister for Emergency Services Volunteer with special responsibility for a review of the Queensland Rural Fire Service and Volunteers. His Shadow Ministries included Emergency Services, Local Government, Public Works, Employment and Training. Previously Ted has been a contractor, cane farmer, grazier, and property developer. He was a delegate to sugar industry conferences for 24 years; served five years on the Board of a growers' organisation with three years as Chairman until April 1994. Ted was a member of the Sugar Industry Policy Council and the Sugar Research and Development Corporation Selection Committee and discussions leading up to the division of sugar monies. He is a Life Member of Apex Club of Sarina, member of Lions Club of Sarina and Patron and Committee member of the Ted Malone MP Rural Skills Centre.
Special responsibilities:	Member Business & Community Engagement Committee, Member Finance & Audit Committee
Name:	Nicholas Paul McDougall
Title:	Non-executive director
Experience and expertise:	French Polisher. Nicholas holds a Bachelor in Heritage, Museums and Conservation from the University of Canberra. He is the Chair of the Sugar City Art Deco and Modernist Society and is a member of the Mackay Regional Council Character and Heritage Advisory Committee. Professionally, Nicholas is a French Polisher and Furniture Restorer operating McDougall Furniture Restoration since 2018, servicing Sarina and surrounding districts. Nicholas has recently taken on a position as an Electorate Officer for 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, Member Finance & Audit Committee
Name:	David Luigi Erba
Title:	Non-executive director
Experience and expertise:	Sugarcane Grower. David holds a Bachelor of Business (Accounting) from CQUniversity. He also is a qualified Diesel Fitter with experience in the coal industry. He has extensive experience in business, having worked in public accounting in Mackay as well as a foray into small business operating retail food business. David currently owns and operates a sugar cane farming business. He is an active member of various community businesses and sporting clubs including motorcycle and cycling clubs. David also serves as Treasurer on the Ted Malone MP Rural Skills Centre Board.
Special responsibilities:	Chair Finance & Audit Committee, Member Business & Community Engagement Committee
Name:	Rainee Shepperson
Title:	Non-executive director (appointed 28 February 2022)
Experience and expertise:	Rainee has a Bachelor of Business Management/Bachelor of Journalism from CQUniversity in Mackay. Rainee is now completing a MBA and works as a Marketing and Communications coordinator at Field Mining Services Group. She brings to the board a background in marketing, communications and journalism, having worked in roles at The Daily Mercury, Mackay Tourism and for local members of government including Julieanne Gilbert and the late Tim Mulherin. Rainee has been involved with Sarina dance schools for many years and is passionate about encouraging the younger generations to achieve their academic and professional goals.
Special responsibilities:	Member Business & Community Engagement Committee, Member Finance & Audit Committee

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 Company secretary on 12 November 2019.

Principal activity

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

There have been no significant changes in the nature of this activity during the financial year.

Directors' report (continued)

Review of operations

The profit for the company after providing for income tax amounted to \$138,219 (30 June 2021: \$139,654).

Operations have continued to perform in line with expectations.

Dividends

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

	2022 \$	2021 \$
Fully franked dividend of 10 cents per share (2021: 8 cents)	<u>72,011</u>	<u>57,609</u>

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments

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

Environmental regulation

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

Meetings of directors

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

	Board		Finance & Audit Committee		Business & Community Engagement Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Karen Lesley May	11	9	11	9	12	12
Maree Gail Franettovich	11	11	11	11	12	12
George Edward (Ted) Malone	11	7	5	2	12	10
Nicholas Paul McDougall	11	9	5	2	12	10
David Luigi Erba	11	10	11	10	12	11
Rainee Shepperson	4	3	4	3	4	4

Directors' benefits

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

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Karen Lesley May	1,000	500	1,500
Maree Gail Franettovich	7,850	1,000	8,850
George Edward (Ted) Malone	16,000	-	16,000
Nicholas Paul McDougall	3,400	-	3,400
David Luigi Erba	-	-	-
Rainee Shepperson	-	-	-

Directors' report (continued)

Indemnity and insurance of directors and officers

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

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

Proceedings on behalf of the company

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

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

Indemnity and insurance of auditor

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

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

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 25 to the accounts.

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

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

Auditor's independence declaration

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

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

On behalf of the directors



Karen Lesley May
Chair

10 October 2022

Auditor's independence declaration



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of 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 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 10 October 2022

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

Adrian Downing
Lead Auditor



Financial statements

Sarina and District Community Financial Services Ltd Statement of profit or loss and other comprehensive income For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue from contracts with customers	6	1,428,800	1,441,502
Other revenue	7	15,151	8,680
Finance revenue		1,266	-
Finance revenue		-	4,367
Employee benefits expense	8	(512,748)	(579,098)
Advertising and marketing costs		(83,842)	(67,770)
Occupancy and associated costs		(39,165)	(41,835)
System costs		(19,014)	(21,454)
Depreciation and amortisation expense	8	(99,109)	(93,483)
Finance costs	8	(16,523)	(16,939)
General administration expenses		(149,989)	(154,709)
Profit before community contributions and income tax expense		524,827	479,261
Charitable donations and sponsorships expense		(340,194)	(292,939)
Profit before income tax expense		184,633	186,322
Income tax expense	9	(46,414)	(46,668)
Profit after income tax expense for the year	19	138,219	139,654
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>138,219</u>	<u>139,654</u>
		Cents	Cents
Basic earnings per share	27	19.19	19.39
Diluted earnings per share	27	19.19	19.39

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

Financial statements (continued)

Sarina and District Community Financial Services Ltd Statement of financial position As at 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	10	844,891	778,984
Trade and other receivables	11	84,177	79,806
Total current assets		<u>929,068</u>	<u>858,790</u>
Non-current assets			
Property, plant and equipment	12	214,651	253,518
Right-of-use assets	13	396,552	400,042
Intangibles	14	35,236	49,186
Total non-current assets		<u>646,439</u>	<u>702,746</u>
Total assets		<u>1,575,507</u>	<u>1,561,536</u>
Liabilities			
Current liabilities			
Trade and other payables	15	10,405	36,269
Lease liabilities	16	28,439	25,897
Current tax liabilities	9	29,213	33,456
Total current liabilities		<u>68,057</u>	<u>95,622</u>
Non-current liabilities			
Trade and other payables	15	14,263	28,526
Lease liabilities	16	421,611	424,570
Deferred tax liabilities	9	9,070	17,334
Provisions	17	23,418	22,604
Total non-current liabilities		<u>468,362</u>	<u>493,034</u>
Total liabilities		<u>536,419</u>	<u>588,656</u>
Net assets		<u>1,039,088</u>	<u>972,880</u>
Equity			
Issued capital	18	688,018	688,018
Retained earnings	19	351,070	284,862
Total equity		<u>1,039,088</u>	<u>972,880</u>

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

Financial statements (continued)

Sarina and District Community Financial Services Ltd Statement of changes in equity For the year ended 30 June 2022

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2020		688,018	202,817	890,835
Profit after income tax expense		-	139,654	139,654
<i>Transactions with owners in their capacity as owners:</i> Dividends provided for	21	-	(57,609)	(57,609)
Balance at 30 June 2021		<u>688,018</u>	<u>284,862</u>	<u>972,880</u>
 Balance at 1 July 2021		<u>688,018</u>	<u>284,862</u>	<u>972,880</u>
Profit after income tax expense		-	138,219	138,219
<i>Transactions with owners in their capacity as owners:</i> Dividends provided for	21	-	(72,011)	(72,011)
Balance at 30 June 2022		<u>688,018</u>	<u>351,070</u>	<u>1,039,088</u>

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

Financial statements (continued)

Sarina and District Community Financial Services Ltd Statement of cash flows For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,582,730	1,607,358
Payments to suppliers and employees (inclusive of GST)		<u>(1,313,869)</u>	<u>(1,336,509)</u>
		268,861	270,849
Interest received		1,266	3,967
Interest and other finance costs paid		(105)	-
Income taxes refunded/(paid)		<u>(58,921)</u>	<u>4,877</u>
Net cash provided by operating activities	26	<u>211,101</u>	<u>279,693</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(18,436)	(27,065)
Payments for intangibles		<u>(12,966)</u>	<u>(25,933)</u>
Net cash used in investing activities		<u>(31,402)</u>	<u>(52,998)</u>
Cash flows from financing activities			
Dividends paid	21	(72,011)	(57,609)
Repayment of lease liabilities	16	<u>(41,781)</u>	<u>(40,734)</u>
Net cash used in financing activities		<u>(113,792)</u>	<u>(98,343)</u>
Net increase in cash and cash equivalents		65,907	128,352
Cash and cash equivalents at the beginning of the financial year		<u>778,984</u>	<u>650,632</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>844,891</u></u>	<u><u>778,984</u></u>

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

Notes to the financial statements

For the year ended 30 June 2022

Note 1. Reporting entity

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 37 Broad Street, Sarina QLD 4737.

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 10 October 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation and statement of compliance

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

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

Current and non-current classification

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

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

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

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

Impairment

Non-derivative financial assets

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

Notes to the financial statements (continued)

Note 3. Significant accounting policies (continued)

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

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

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

Estimation of useful lives of assets

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

Notes to the financial statements (continued)

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

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

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

Recovery of deferred tax assets

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

Lease term

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

Incremental borrowing rate

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

Lease make good provision

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

Note 5. Economic dependency

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

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.

Notes to the financial statements (continued)

Note 5. Economic dependency (continued)

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

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

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

Note 6. Revenue from contracts with customers

	2022 \$	2021 \$
Margin income	1,218,710	1,240,279
Fee income	78,688	84,672
Commission income	131,402	116,551
Revenue from contracts with customers	<u>1,428,800</u>	<u>1,441,502</u>

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

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

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

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

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

Revenue calculation

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

Notes to the financial statements (continued)

Note 6. Revenue from contracts with customers (continued)

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

Note 7. Other revenue

	2022	2021
	\$	\$
Cash flow boost	-	5,000
Rental income	15,151	3,680
Other revenue	15,151	8,680

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.

Notes to the financial statements (continued)

Note 7. Other revenue (continued)

<u>Revenue stream</u>	<u>Revenue recognition policy</u>
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).
Rental income	Rental income from the owned Billboard, is accounted for on a straight-line basis. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

All revenue is stated net of the amount of GST.

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.

Note 8. Expenses

Depreciation and amortisation expense

	2022 \$	2021 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	12,432	10,908
Plant and equipment	31,707	28,134
Motor vehicles	11,771	11,944
	<u>55,910</u>	<u>50,986</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	<u>29,249</u>	<u>28,547</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	2,325	2,325
Franchise renewal fee	11,625	11,625
	<u>13,950</u>	<u>13,950</u>
	<u>99,109</u>	<u>93,483</u>

Finance costs

	2022 \$	2021 \$
Other	105	-
Lease interest expense	15,605	16,154
Unwinding of make-good provision	813	785
	<u>16,523</u>	<u>16,939</u>

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

Notes to the financial statements (continued)

Note 8. Expenses (continued)

Employee benefits expense

	2022 \$	2021 \$
Wages and salaries	398,450	464,737
Non-cash benefits	6,209	6,209
Superannuation contributions	42,997	46,223
Expenses related to long service leave	7,538	6,207
Other expenses	57,554	55,722
	<u>512,748</u>	<u>579,098</u>

Accounting policy for employee benefits

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

Leases recognition exemption

	2022 \$	2021 \$
Expenses relating to low-value leases	<u>8,006</u>	<u>7,969</u>

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

Charitable donations, sponsorships and grants

	2022 \$	2021 \$
Direct donation, sponsorship and grant payments	340,194	140,709
Contribution to the Community Enterprise Foundation™	300,000	220,000
	<u>640,194</u>	<u>360,709</u>

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

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

Community Enterprise Foundation™ contributions

	2022 \$	2021 \$
<i>Disaggregation of CEF funds</i>		
Opening balance	390,437	458,895
Contributions paid in	300,000	220,000
Grants paid out	(135,761)	(280,342)
Interest received	2,015	1,883
Management fees incurred	(13,696)	(9,999)
	<u>542,995</u>	<u>390,437</u>

Notes to the financial statements (continued)

Note 9. Income tax

	2022 \$	2021 \$
<i>Income tax expense</i>		
Current tax	54,678	52,970
Movement in deferred tax	(8,264)	(5,609)
Reduction in company tax rate	-	(693)
	<u>46,414</u>	<u>46,668</u>
<i>Aggregate income tax expense</i>		
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	184,633	186,322
Tax at the statutory tax rate of 25% (2021: 26%)	46,158	48,444
Tax effect of:		
Non-deductible expenses	256	217
Reduction in company tax rate	-	(693)
Other assessable income	-	(1,300)
	<u>46,414</u>	<u>46,668</u>
Income tax expense		
	2022	2021
	\$	\$
<i>Deferred tax liabilities/(assets)</i>		
Property, plant and equipment	27,939	35,956
Income accruals	410	410
Right-of-use assets	99,138	100,011
Lease liabilities	(112,513)	(112,617)
Provision for lease make good	(5,855)	(5,651)
Accrued expenses	(49)	(775)
	<u>9,070</u>	<u>17,334</u>
Deferred tax liability		
	2022	2021
	\$	\$
Provision for income tax	<u>29,213</u>	<u>33,456</u>

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

Notes to the financial statements (continued)

Note 9. Income 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.

Note 10. Cash and cash equivalents

	2022 \$	2021 \$
Cash at bank and on hand	542,276	477,554
Term deposits	302,615	301,430
	<u>844,891</u>	<u>778,984</u>

Accounting policy for cash and cash equivalents

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

Note 11. Trade and other receivables

	2022 \$	2021 \$
Trade receivables	74,842	69,221
Accrued income	1,640	1,640
Prepayments	7,695	8,945
	<u>9,335</u>	<u>10,585</u>
	<u>84,177</u>	<u>79,806</u>

Accounting policy for trade and other receivables

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

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

Notes to the financial statements (continued)

Note 12. Property, plant and equipment

	2022 \$	2021 \$
Leasehold improvements - at cost	270,039	277,444
Less: Accumulated depreciation	<u>(146,370)</u>	<u>(151,289)</u>
	123,669	126,155
Plant and equipment - at cost	195,970	202,800
Less: Accumulated depreciation	<u>(121,550)</u>	<u>(104,274)</u>
	74,420	98,526
Motor vehicles - at cost	58,271	88,398
Less: Accumulated depreciation	<u>(41,709)</u>	<u>(59,561)</u>
	16,562	28,837
	<u>214,651</u>	<u>253,518</u>

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

	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2020	137,063	99,596	40,781	277,440
Additions	-	27,064	-	27,064
Depreciation	<u>(10,908)</u>	<u>(28,134)</u>	<u>(11,944)</u>	<u>(50,986)</u>
Balance at 30 June 2021	126,155	98,526	28,837	253,518
Additions	10,729	7,707	-	18,436
Disposals	(783)	(106)	(504)	(1,393)
Depreciation	<u>(12,432)</u>	<u>(31,707)</u>	<u>(11,771)</u>	<u>(55,910)</u>
Balance at 30 June 2022	<u>123,669</u>	<u>74,420</u>	<u>16,562</u>	<u>214,651</u>

Accounting policy for property, plant and equipment

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

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 12. Property, plant and equipment (continued)

Change in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

The company's review of estimates resulted in changes in the useful life of some of Sarina branch leasehold improvements. The useful life had previously been assessed as 40 years until July 2045 This is now expected to be 25 years until July 2030. The effect of these changes on actual and expected depreciation expense was as follows:

	2022 \$	2023 \$	2024 \$	2025 \$	2026+ \$
(Decrease) increase in depreciation expense	1,243	1,243	1,243	1,243	(4,972)

Note 13. Right-of-use assets

	2022 \$	2021 \$
Land and buildings - right-of-use	728,368	702,609
Less: Accumulated depreciation	<u>(331,816)</u>	<u>(302,567)</u>
	<u>396,552</u>	<u>400,042</u>

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

	Land and buildings \$
Balance at 1 July 2020	421,073
Remeasurement adjustments	7,516
Depreciation expense	<u>(28,547)</u>
Balance at 30 June 2021	400,042
Remeasurement adjustments	25,759
Depreciation expense	<u>(29,249)</u>
Balance at 30 June 2022	<u>396,552</u>

Accounting policy for right-of-use assets

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

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

Refer to note 16 for more information on lease arrangements.

Notes to the financial statements (continued)

Note 14. Intangibles

	2022 \$	2021 \$
Franchise fee	93,773	93,773
Less: Accumulated amortisation	<u>(87,900)</u>	<u>(85,575)</u>
	5,873	8,198
Franchise renewal fee	168,865	168,865
Less: Accumulated amortisation	<u>(139,502)</u>	<u>(127,877)</u>
	29,363	40,988
	<u>35,236</u>	<u>49,186</u>

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

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2020	10,523	52,613	63,136
Amortisation expense	<u>(2,325)</u>	<u>(11,625)</u>	<u>(13,950)</u>
Balance at 30 June 2021	8,198	40,988	49,186
Amortisation expense	<u>(2,325)</u>	<u>(11,625)</u>	<u>(13,950)</u>
Balance at 30 June 2022	<u>5,873</u>	<u>29,363</u>	<u>35,236</u>

Accounting policy for intangible assets

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

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

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

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

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

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

Change in estimates

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

Notes to the financial statements (continued)

Note 15. Trade and other payables

	2022 \$	2021 \$
<i>Current liabilities</i>		
Trade payables	6,151	5,371
Other payables and accruals	4,254	30,898
	<u>10,405</u>	<u>36,269</u>
<i>Non-current liabilities</i>		
Other payables and accruals	<u>14,263</u>	<u>28,526</u>

Accounting policy for trade and other payables

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

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

Note 16. Lease liabilities

	2022 \$	2021 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	43,912	41,426
Unexpired interest	(15,473)	(15,529)
	<u>28,439</u>	<u>25,897</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	515,966	528,180
Unexpired interest	(94,355)	(103,610)
	<u>421,611</u>	<u>424,570</u>
<i>Reconciliation of lease liabilities</i>		
	2022 \$	2021 \$
Opening balance	450,467	467,529
Remeasurement adjustments	25,759	7,518
Lease interest expense	15,605	16,154
Lease payments - total cash outflow	(41,781)	(40,734)
	<u>450,050</u>	<u>450,467</u>

Notes to the financial statements (continued)

Note 16. Lease liabilities (continued)

Maturity analysis

	2022 \$	2021 \$
Not later than 12 months	43,912	41,426
Between 12 months and 5 years	175,648	165,703
Greater than 5 years	340,318	362,477
	<u>559,878</u>	<u>569,606</u>

Accounting policy for lease liabilities

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

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

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

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

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

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

The company's lease portfolio includes:

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. The discount rate used in calculations is 3.54%.

Note 17. Provisions

	2022 \$	2021 \$
Lease make good	<u>23,418</u>	<u>22,604</u>

Notes to the financial statements (continued)

Note 17. Provisions (continued)

Lease make good

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$36,752 for the Sarina Branch lease, 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 April 2035 at which time it is expected the face-value costs to restore the premises will fall due.

Accounting policy for provisions

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

Note 18. Issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	720,109	720,109	720,109	720,109
Less: Equity raising costs	-	-	(32,091)	(32,091)
	<u>720,109</u>	<u>720,109</u>	<u>688,018</u>	<u>688,018</u>

Accounting policy for issued capital

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

Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

Notes to the financial statements (continued)

Note 18. Issued capital (continued)

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

Prohibited shareholding interest

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

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

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

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

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and 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 19. Retained earnings

	2022	2021
	\$	\$
Retained earnings at the beginning of the financial year	284,862	202,817
Profit after income tax expense for the year	138,219	139,654
Dividends paid (note 21)	<u>(72,011)</u>	<u>(57,609)</u>
Retained earnings at the end of the financial year	<u>351,070</u>	<u>284,862</u>

Note 20. Capital management

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

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

The distribution limit is the greater of:

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

Notes to the financial statements (continued)

Note 20. Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 21. Dividends

Dividends provided for and paid during the period

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

	2022 \$	2021 \$
Fully franked dividend of 10 cents per share (2021: 8 cents)	72,011	57,609

Franking credits

	2022 \$	2021 \$
Franking account balance at the beginning of the financial year	168,885	194,003
Franking credits (debits) arising from income taxes paid (refunded)	58,921	(4,877)
Franking debits from the payment of franked distributions	(24,004)	(20,241)
	<u>203,802</u>	<u>168,885</u>
<i>Franking transactions that will arise subsequent to the financial year end:</i>		
Balance at the end of the financial year	203,802	168,885
Franking credits (debits) that will arise from payment (refund) of income tax	29,076	33,456
Franking credits available for future reporting periods	<u>232,878</u>	<u>202,341</u>

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

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Note 22. Financial instruments

	2022 \$	2021 \$
Financial assets		
Trade and other receivables	76,482	70,861
Cash and cash equivalents	844,891	778,984
	<u>921,373</u>	<u>849,845</u>
Financial liabilities		
Trade and other payables	24,668	64,795
Lease liabilities	450,050	450,467
	<u>474,718</u>	<u>515,262</u>

Accounting policy for financial instruments

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

Notes to the financial statements (continued)

Note 22. Financial instruments (continued)

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

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

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

Financial risk management

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

Market risk

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

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 and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$844,891 at 30 June 2022 (2021: \$778,984). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Credit risk

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

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

Liquidity risk

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

Notes to the financial statements (continued)

Note 22. Financial instruments (continued)

Exposure to liquidity risk

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

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2022				
Non-derivatives				
Trade and other payables	10,405	14,263	-	24,668
Lease liabilities	43,912	175,648	340,318	559,878
Total non-derivatives	<u>54,317</u>	<u>189,911</u>	<u>340,318</u>	<u>584,546</u>
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2021				
Non-derivatives				
Trade and other payables	36,269	28,526	-	64,795
Lease liabilities	41,426	165,703	362,477	569,606
Total non-derivatives	<u>77,695</u>	<u>194,229</u>	<u>362,477</u>	<u>634,401</u>

Note 23. Key management personnel disclosures

The following persons were directors of Sarina and District Community Financial Services Ltd during the financial year:

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

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

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

Note 24. Related party transactions

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

Notes to the financial statements (continued)

Note 25. Remuneration of auditors

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

	2022 \$	2021 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,200	5,000
<i>Other services</i>		
Taxation advice and tax compliance services	600	600
General advisory services	3,230	2,850
Share registry services	1,570	3,827
	<u>5,400</u>	<u>7,277</u>
	<u>10,600</u>	<u>12,277</u>

Note 26. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 \$	2021 \$
Profit after income tax expense for the year	138,219	139,654
Adjustments for:		
Depreciation and amortisation	99,109	93,483
Lease liabilities interest	15,605	16,154
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(4,371)	24,712
Decrease in other operating assets	-	24,391
Decrease in trade and other payables	(25,768)	(46,640)
Decrease in provision for income tax	(4,243)	-
Increase/(decrease) in deferred tax liabilities	(8,264)	27,154
Increase in other provisions	814	785
Net cash provided by operating activities	<u>211,101</u>	<u>279,693</u>

Note 27. Earnings per share

	2022 \$	2021 \$
Profit after income tax	<u>138,219</u>	<u>139,654</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>720,109</u>	<u>720,109</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>720,109</u>	<u>720,109</u>
	Cents	Cents
Basic earnings per share	19.19	19.39
Diluted earnings per share	19.19	19.39

Notes to the financial statements (continued)

Note 27. Earnings per share (continued)

Accounting policy for earnings per share

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

Note 28. Commitments

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

Note 29. Contingencies

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

Note 30. Events after the reporting period

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

Directors' declaration

For the financial year ended 30 June 2022

In the directors' opinion:

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

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

On behalf of the directors



Karen Lesley May
Chair

10 October 2022

Independent audit report



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

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

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

In our opinion, the accompanying financial report of 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 2022 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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





Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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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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Liability limited by a scheme approved under Professional Standards Legislation. ABN: 65 684 604 390



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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.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 10 October 2022

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

Adrian Downing
Lead Auditor

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