

Sarina and District Community Financial Services Ltd

ABN 28 112 407 182

Financial Report - 30 June 2024

Sarina and District Community Financial Services Ltd

Directors' report

30 June 2024

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2024.

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: Non-executive director
Experience and expertise: Councillor/Deputy Mayor of Mackay Regional Council. She is a graduate of the Australian Institute of Company Directors. Karen holds a Certificate 111 in Frontline Management, a Certificate in Community Development and has completed a leadership course for Women in Local Government and completed a course in Financial Management for Local Government. She has 20 years' experience in local government during which time she has held the position of councillor, Deputy Mayor and Mayor of Sarina Shire Council and Councillor and Deputy Mayor of Mackay Regional Council. Karen has been a small business owner for the past 27 years, having owned Sarina Motor Inn and Hideaway Restaurant, Eagle Boys Pizza Sarina, Sarina Laundromat and vending business. Karen managed the Sarina RSL Club for a 2 year period. Karen is Director/Chair of Mackay Regional Housing Company Limited and Connect Housing Group for the past 14 years whose goal is to deliver affordable housing solutions. Karen is also Chair of Greater Whitsunday Communities, Chair of Mackay Women's Services, Deputy Chair of Sarina Landcare and Catchment Management Association and Deputy Chair of Sarina Rural Skills Centre Community Board Inc. Karen is also a Committee Member of Regional Development Australia - Greater Whitsundays. She holds memberships of Australian Institute of Company Directors and Australian Women in Local Government Association. Karen is a strong advocate for regional and local communities.

Special responsibilities: Chair of the Board, Member Finance, Audit & Risk Committee, Member Business & Community Engagement Committee

Name: Maree Gail Franettovich
Title: Non-executive director
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 also 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, she 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: Reef Catchments Ltd; Catchment Solutions; former Director of Mackay Regional Housing Company Limited and Connect Housing Group; and a Committee Member of Regional Development Australia – Greater Whitsundays. Maree is the elected representative for CQ/NQ on the Community Bank National Council.

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

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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 and Patron and Committee Member of the Ted Malone MP Rural Skills Centre (Sarina Rural Skills Centre Community Board Inc).
Special responsibilities: Member Business & Community Engagement Committee

Name: Nicholas Paul McDougall
Title: Non-executive director
Experience and expertise: Nicholas holds a Bachelor in Heritage, Museums and Conservation from the University of Canberra. He is the Chair of the Sugar City Art Deco and Modernist Society. 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 a Community Relationship Officer for North Queensland Bulk Ports. He is actively involved in the family business, which has cattle, cropping and sugar interests.
Special responsibilities: Deputy Chair Business Development Business & Community Engagement Committee

Name: Raine Shepperson
Title: Non-executive director
Experience and expertise: Raine is a Sarina local who after graduating DUX of Sarina State High School went onto complete a Bachelor of Business Management and Bachelor of Journalism at CQUniversity, followed by a MBA. As Marketing and Communications Manager for a major mining company and with past experience as a news reporter and in stakeholder engagement roles, Raine is passionate about brand strategy and digital media. She is also committed to encouraging Sarina youth to pursue their aspirations and use their small-town upbringing to their advantage by taking every opportunity. Raine is also a Director of Mackay Isaac Tourism Ltd.
Special responsibilities: Deputy Chair Community Engagement Business & Community Engagement Committee, Member Finance, Audit & Risk Committee.

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Name: Ann Fordyce
Title: Non-executive director
Experience and expertise: Chartered Accountant and non-executive director. Ann is a fellow member of the Institute of Chartered Accountants in Australia and New Zealand (ACANZ). She holds a Bachelor of Financial Administration (B Fin Ad min) and a Master of Business Administration (MBA) and is a graduate of the Australian Institute of Company Directors (AICD). Ann's professional experience and skills have been gained as an accountant in private practice for over 35 years, of which 18 was as a partner in a Brisbane based accounting firm, Pilot Partners. Ann was a Registered Liquidator from 1998 to 2022 and a Registered Trustee in Bankruptcy from 2001 to 2022. Ann's experience extends to consulting, insolvency and restructuring services across multiple industries from private owner managed businesses, not-for-profit organisations and high net worth individuals through to large corporates obtained through various roles within the professional accounting industry. Ann is a director of Flare Advisory Pty Ltd. Ann has her own consulting business offering her skills and experience as a non-executive to organisations. Ann is also a voluntary Member and Treasurer of the Sarina Rural Skills Centre Community Board Inc and has previously held a voluntary position as a skilled director on the Board and Finance Risk and Audit Committee of the Australian Medical Association Queensland ("AMA OLD") from November 2019 to May 2022. Ann is also a Justice of the Peace (JP).
Special responsibilities: Chair Finance, Audit & Risk Committee, Member Business & Community Engagement Committee

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.

Review of operations

The profit for the company after providing for income tax amounted to \$130,388 (30 June 2023: \$196,439).

Operations have continued to perform in line with expectations.

Dividends

During the financial year, the following dividends were declared.

	2024	2023
	\$	\$
Fully franked dividend of 13 cents per share (2023: 10 cents)	<u>93,614</u>	<u>72,011</u>

Significant changes in the state of affairs

On 1 July 2023, Bendigo Bank updated the Funds Transfer Pricing (FTP) base rate on certain deposits which has reduced the income earned on these products.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 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.

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Likely developments

No matter, circumstance or likely development in operations has arisen during or since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

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 & Risk Committee		Business & Community Engagement Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Karen Lesley May	11	10	11	10	10	10
Maree Gail Franettovich	11	11	11	11	10	10
George Edward (Ted) Malone	11	6	6	4	10	5
Nicholas Paul McDougall	11	8	-	-	10	8
Rainee Shepperson	11	9	11	9	10	9
Ann Fordyce	11	11	11	11	10	10

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	1,500	-	1,500
Maree Gail Franettovich	8,850	-	8,850
George Edward (Ted) Malone	16,000	-	16,000
Nicholas Paul McDougall	3,400	-	3,400
Rainee Shepperson	-	-	-
Ann Fordyce	-	1,000	1,000

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of directors and officers

The company has indemnified all directors and management in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or management 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.

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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 24 to the accounts.

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

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

Auditor's independence declaration

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

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

On behalf of the directors



Karen Lesley May
Chair

17 September 2024



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

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

As lead auditor for the audit of Sarina and District Community Financial Services Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 17 September 2024

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

Lachlan Tatt
Lead Auditor

Sarina and District Community Financial Services Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024	2023
		\$	\$
Revenue from contracts with customers	7	1,527,015	1,755,972
Other revenue		790	14,920
Finance revenue		22,231	10,289
Total revenue		<u>1,550,036</u>	<u>1,781,181</u>
Employee benefits expense	8	(520,597)	(459,236)
Advertising and marketing costs		(157,988)	(71,545)
Occupancy and associated costs		(51,711)	(76,107)
System costs		(18,483)	(16,404)
Depreciation and amortisation expense	8	(100,701)	(101,517)
Finance costs	8	(16,163)	(16,410)
General administration expenses		(139,842)	(133,303)
Total expenses before community contributions and income tax expense		<u>(1,005,485)</u>	<u>(874,522)</u>
Profit before community grants and income tax expense		544,551	906,659
Community grants expense	8	<u>(371,549)</u>	<u>(643,854)</u>
Profit before income tax expense		173,002	262,805
Income tax expense	9	<u>(42,614)</u>	<u>(66,366)</u>
Profit after income tax expense for the year		130,388	196,439
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>130,388</u>	<u>196,439</u>
		Cents	Cents
Basic earnings per share	26	18.11	27.28
Diluted earnings per share	26	18.11	27.28

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

Sarina and District Community Financial Services Ltd
Statement of financial position
As at 30 June 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	10	548,440	482,843
Trade and other receivables	11	81,919	109,564
Investments	12	522,231	500,000
Total current assets		<u>1,152,590</u>	<u>1,092,407</u>
Non-current assets			
Property, plant and equipment	13	134,023	173,132
Right-of-use assets	14	365,498	397,039
Intangible assets	15	7,335	21,286
Deferred tax assets	9	9,512	711
Total non-current assets		<u>516,368</u>	<u>592,168</u>
Total assets		<u>1,668,958</u>	<u>1,684,575</u>
Liabilities			
Current liabilities			
Trade and other payables	16	17,391	23,627
Lease liabilities	17	46,369	31,641
Current tax liabilities	9	2,909	20,377
Total current liabilities		<u>66,669</u>	<u>75,645</u>
Non-current liabilities			
Lease liabilities	17	376,741	421,154
Lease make good provision		25,258	24,260
Total non-current liabilities		<u>401,999</u>	<u>445,414</u>
Total liabilities		<u>468,668</u>	<u>521,059</u>
Net assets		<u>1,200,290</u>	<u>1,163,516</u>
Equity			
Issued capital	18	688,018	688,018
Retained earnings		512,272	475,498
Total equity		<u>1,200,290</u>	<u>1,163,516</u>

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

Sarina and District Community Financial Services Ltd
Statement of changes in equity
For the year ended 30 June 2024

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2022		688,018	351,070	1,039,088
Profit after income tax expense		-	196,439	196,439
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	196,439	196,439
<i>Transactions with owners in their capacity as owners:</i>				
Dividend provided for or paid	20	-	(72,011)	(72,011)
Balance at 30 June 2023		<u>688,018</u>	<u>475,498</u>	<u>1,163,516</u>
Balance at 1 July 2023		688,018	475,498	1,163,516
Profit after income tax expense		-	130,388	130,388
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	130,388	130,388
<i>Transactions with owners in their capacity as owners:</i>				
Dividend provided for or paid	20	-	(93,614)	(93,614)
Balance at 30 June 2024		<u>688,018</u>	<u>512,272</u>	<u>1,200,290</u>

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

Sarina and District Community Financial Services Ltd
Statement of cash flows
For the year ended 30 June 2024

	Note	2024	2023
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,708,919	1,921,428
Payments to suppliers and employees (inclusive of GST)		(1,399,635)	(1,564,448)
Interest received		22,231	10,289
Income taxes paid		<u>(76,293)</u>	<u>(84,983)</u>
Net cash provided by operating activities	25	<u>255,222</u>	<u>282,286</u>
Cash flows from investing activities			
Payments for investments		(22,231)	(197,385)
Payments for property, plant and equipment	13	(13,654)	(14,721)
Payments for intangible assets		<u>(12,966)</u>	<u>(12,966)</u>
Net cash used in investing activities		<u>(48,851)</u>	<u>(225,072)</u>
Cash flows from financing activities			
Interest and other finance costs paid		(15,297)	(15,567)
Dividends paid	20	(93,614)	(72,011)
Repayment of lease liabilities		<u>(31,863)</u>	<u>(29,069)</u>
Net cash used in financing activities		<u>(140,774)</u>	<u>(116,647)</u>
Net increase/(decrease) in cash and cash equivalents		65,597	(59,433)
Cash and cash equivalents at the beginning of the financial year		<u>482,843</u>	<u>542,276</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>548,440</u></u>	<u><u>482,843</u></u>

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

Sarina and District Community Financial Services Ltd

Notes to the financial statements

30 June 2024

Note 1. Reporting entity

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

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

Note 2. Basis of preparation and statement of compliance

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

As described in note 5, the company is economically dependent on its franchise agreement with Bendigo Bank, which expires in June 2025. The directors have applied significant judgement, concluding that they have no reason to believe a new franchise agreement under mutually acceptable terms will not be forthcoming following expiry of the current agreement in June 2025.

Accordingly, the directors have a reasonable expectation that the company has adequate resources to pay its debts as and when they fall due for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 September 2024. The directors have the power to amend and reissue the financial statements.

Note 3. Material accounting policy information

The accounting policies that are material to the company are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Adoption of new and revised accounting standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current financial year. A description of the impact of new or amended Accounting Standards and Interpretations that have had a material impact on the company during the current financial year is outlined below:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates is mandatory for annual reporting periods beginning on or after 1 January 2023 and was adopted by the company in the preparation of the 30 June 2024 financial statements.

AASB 2021-2 includes amendments to AASB 101 *Presentation of Financial Statements*, requiring the company to disclose material accounting policy information in its financial statements rather than significant accounting policies which was required in previous financial years. Accounting policy information is material if it, when considered with other information, could reasonably be expected to influence decisions of primary users based on the financial statements.

Adoption of AASB 2021-2 has had no impact on the numerical information disclosed in the company's financial statements. Rather, adoption has required the company to remove significant accounting policy information from the notes to the financial statements that is not considered material.

Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the company has been performed. No new or amended Accounting Standards or Interpretations that are not mandatory have been early adopted, nor are they expected to have a material impact on the company in future financial years.

Sarina and District Community Financial Services Ltd
Notes to the financial statements
30 June 2024

Note 3. Material accounting policy information (continued)

Current and non-current classification

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

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the company has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets

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

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The directors continually evaluate their judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

The directors base their judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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Notes to the financial statements
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Note 4. Critical accounting judgements, estimates and assumptions (continued)

Judgements

Timing of revenue recognition associated with trail commission

The company receives trailing commission from Bendigo Bank for products and services sold. Ongoing trailing commission payments are recognised on a monthly basis when earned as there is insufficient detail readily available to estimate the most likely amount of revenue without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission revenue is outside the control of the company.

Allowance for expected credit losses on trade and other receivables

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The company has not recognised an allowance for expected credit losses in relation to trade and other receivables for the following reasons:

- 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.
- The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit. The directors are not aware of any such non-compliance at balance date.
- 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 has not experienced any instances of default in relation to receivables owed to the company from Bendigo Bank.

Impairment of non-financial 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. The directors did not identify any impairment indications during the financial year.

Recovery of deferred tax assets

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term.

In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

The company includes extension options applicable to the lease of branch premises in its calculations of both the right-of-use asset and lease liability except where the company is reasonably certain it will not exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the leased premises.

Estimates and assumptions

Sarina and District Community Financial Services Ltd
Notes to the financial statements
30 June 2024

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

Estimation of useful lives of assets

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

Incremental borrowing rate

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

Lease make good provision

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

Note 5. Economic dependency

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

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

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

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

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

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.

Sarina and District Community Financial Services Ltd
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Note 6. Change to comparative figures

Classification of term deposits

During the year the directors reviewed the requirements of AASB 107 *Statement of Cash Flows* and noted term deposits normally qualify as a cash and cash equivalent only when they have initial investment periods of three months or less. In previous financial years the company classified all term deposits as cash and cash equivalents in the preparation of the even if they had initial investment periods greater than three months.

In the preparation of the financial statements for the current financial year, the directors updated its accounting policy to align to the requirements of AASB 107, restating comparative figures to reclassify term deposits with initial investment periods greater than three months as current investments instead of cash and cash equivalents in the Statement of financial position.

The change in classification had the following impacts on comparative figures:

- Cash and cash equivalents decreased and investments increased by \$500,000 at 30 June 2023 as reported in the Statement of financial position.
- Opening and closing cash balances were reduced to exclude term deposits with initial investment periods greater than three months as reported in the Statement of cash flows.
- Investments in and redemptions of term deposits with initial investment periods greater than three months are now classified within investment activities as reported in the Statement of cash flows.

The change in classification had no impact on the company's net profit or net asset position.

Calculation of right-of-use asset cost and accumulated depreciation

On adoption of AASB 16 Leases on 1 July 2019, the company previously recognised the right-of-use asset cost and accumulated depreciation on a gross basis from the commencement of the lease as if AASB 16 had always been applied by the company.

During the financial year the company recorded a change in accounting policy, whereby it elected to recognise the right-of-use asset net of accumulated depreciation on initial adoption of AASB 16. The change in accounting policy had no impact on the company's net profit or net asset position, however it did reduce the company's right-of-use asset cost and accumulated depreciation at 30 June 2023 by \$245,808.

Note 7. Revenue from contracts with customers

	2024	2023
	\$	\$
Margin income	1,314,663	1,524,889
Fee income	80,952	80,627
Commission income	131,400	150,456
	<u>1,527,015</u>	<u>1,755,972</u>

Accounting policy for revenue from contracts with customers

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

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

Sarina and District Community Financial Services Ltd
Notes to the financial statements
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Note 7. Revenue from contracts with customers (continued)

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement, as follows:

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

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

Revenue calculation

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

Margin income

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

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

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

Commission income

Commission income is generated from the sale of products and services. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation. Refer to Note 4 for further information regarding key judgements applied by the directors in relation to the timing of revenue recognition from trail commission.

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

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Note 8. Expenses

Employee benefits expense

	2024	2023
	\$	\$
Wages and salaries	416,569	373,461
Non-cash benefits	6,209	6,209
Superannuation contributions	45,581	38,459
Expenses related to long service leave	8,129	8,992
Other expenses	44,109	32,115
	<u>520,597</u>	<u>459,236</u>

Accounting policy for employee benefits

The company seconded employees from Bendigo and Adelaide Bank Limited. The total cost of these employees, including an allowance for accrued annual and long service leave, is charged to the company by Bendigo and Adelaide Bank Limited by offsetting against the monthly profit share arrangement. The company recognises these costs as an expense on a monthly basis.

The company also has one employee not seconded from Bendigo Bank. The short-term employee benefits and superannuation contributions associated with this employment are expensed as the related service is provided.

Depreciation and amortisation expense

	2024	2023
	\$	\$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	15,363	13,028
Plant and equipment	32,320	31,730
Motor vehicles	5,080	11,482
	<u>52,763</u>	<u>56,240</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	33,987	31,327
<i>Amortisation of intangible assets</i>		
Franchise fee	2,325	2,325
Franchise renewal fee	11,626	11,625
	<u>13,951</u>	<u>13,950</u>
	<u>100,701</u>	<u>101,517</u>

Finance costs

	2024	2023
	\$	\$
Lease interest expense	15,297	15,567
Unwinding of make-good provision	866	843
	<u>16,163</u>	<u>16,410</u>

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

Sarina and District Community Financial Services Ltd
Notes to the financial statements
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Note 8. Expenses (continued)

Leases recognition exemption

	2024	2023
	\$	\$
Expenses relating to low-value leases	6,466	6,292

Charitable donations, sponsorships and grants expense

	2024	2023
	\$	\$
Direct donation, sponsorship and grant payments	130,640	125,672
Contribution to the Community Enterprise Foundation™	240,909	518,182
	<u>371,549</u>	<u>643,854</u>

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

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

Community Enterprise Foundation™ contributions

	2024	2023
	\$	\$
<i>Disaggregation of CEF funds</i>		
Opening balance	962,872	542,995
Contributions paid in	240,909	518,182
Grants paid out	(31,555)	(93,621)
Interest received	46,609	18,764
Management fees incurred	(12,044)	(25,907)
GST refunded for grants	2,000	2,459
	<u>1,208,791</u>	<u>962,872</u>
Balance available for distribution		

During the financial year the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of Bendigo Bank. These contributions paid in form part of the community grants expense and are exclusive of GST.

Sarina and District Community Financial Services Ltd
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Note 9. Income tax

	2024	2023
	\$	\$
<i>Income tax expense</i>		
Current tax	52,909	76,147
Movement in deferred tax	(8,802)	(9,781)
Under/over adjustment	(1,493)	-
Aggregate income tax expense	<u>42,614</u>	<u>66,366</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	<u>173,002</u>	<u>262,805</u>
Tax at the statutory tax rate of 25%	43,251	65,701
Tax effect of:		
Non-deductible expenses	<u>856</u>	<u>665</u>
Under/over adjustment	<u>44,107</u>	<u>66,366</u>
	<u>(1,493)</u>	<u>-</u>
Income tax expense	<u>42,614</u>	<u>66,366</u>
	2024	2023
	\$	\$
<i>Deferred tax assets/(liabilities) attributable to:</i>		
expense accruals	50	50
employee provisions	337	326
make-good provision	6,315	6,065
lease liabilities	105,778	113,199
property, plant and equipment	(11,182)	(19,259)
income accruals	(410)	(410)
right-of-use assets	<u>(91,376)</u>	<u>(99,260)</u>
Deferred tax asset	<u>9,512</u>	<u>711</u>
	2024	2023
	\$	\$
Provision for income tax	<u>2,909</u>	<u>20,377</u>

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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.

Sarina and District Community Financial Services Ltd
Notes to the financial statements
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Note 10. Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank and on hand	<u>548,440</u>	<u>482,843</u>

Note 11. Trade and other receivables

	2024	2023
	\$	\$
Trade receivables	<u>72,584</u>	<u>100,229</u>
Accrued income	1,640	1,640
Prepayments	<u>7,695</u>	<u>7,695</u>
	<u>9,335</u>	<u>9,335</u>
	<u>81,919</u>	<u>109,564</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. 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.

Note 12. Investments

	2024	2023
	\$	\$
<i>Current assets</i>		
Term deposits	<u>522,231</u>	<u>500,000</u>

Note 13. Property, plant and equipment

	2024	2023
	\$	\$
Leasehold improvements - at cost	272,237	278,741
Less: Accumulated depreciation	<u>(159,065)</u>	<u>(159,398)</u>
	<u>113,172</u>	<u>119,343</u>
Plant and equipment - at cost	206,452	201,990
Less: Accumulated depreciation	<u>(185,601)</u>	<u>(153,281)</u>
	<u>20,851</u>	<u>48,709</u>
Motor vehicles - at cost	58,271	58,271
Less: Accumulated depreciation	<u>(58,271)</u>	<u>(53,191)</u>
	<u>-</u>	<u>5,080</u>
	<u>134,023</u>	<u>173,132</u>

Sarina and District Community Financial Services Ltd
Notes to the financial statements
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Note 13. Property, plant and equipment (continued)

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

	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2022	123,669	74,420	16,562	214,651
Additions	8,702	6,019	-	14,721
Depreciation	(13,028)	(31,730)	(11,482)	(56,240)
	<u>119,343</u>	<u>48,709</u>	<u>5,080</u>	<u>173,132</u>
Balance at 30 June 2023				
Additions	9,192	4,462	-	13,654
Depreciation	(15,363)	(32,320)	(5,080)	(52,763)
	<u>113,172</u>	<u>20,851</u>	<u>-</u>	<u>134,023</u>

Accounting policy for property, plant and equipment

Property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation and accumulated impairment losses. 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.

Note 14. Right-of-use assets

	2024 \$	2023 \$
Land and buildings - right-of-use	516,819	514,375
Less: Accumulated depreciation	(151,321)	(117,336)
	<u>365,498</u>	<u>397,039</u>

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Note 14. Right-of-use assets (continued)

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

	Land and buildings \$
Balance at 1 July 2022	396,552
Remeasurement adjustments	31,814
Depreciation expense	<u>(31,327)</u>
Balance at 30 June 2023	397,039
Remeasurement adjustments	2,446
Depreciation expense	<u>(33,987)</u>
Balance at 30 June 2024	<u><u>365,498</u></u>

Accounting policy for right-of-use assets

Right-of-use assets are 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. Right-of-use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

Refer to note 17 for more information on lease arrangements.

Note 15. Intangible assets

	2024 \$	2023 \$
Franchise fee	93,773	93,773
Less: Accumulated amortisation	<u>(92,550)</u>	<u>(90,225)</u>
	1,223	3,548
Franchise renewal fee	168,865	168,865
Less: Accumulated amortisation	<u>(162,753)</u>	<u>(151,127)</u>
	6,112	17,738
	<u><u>7,335</u></u>	<u><u>21,286</u></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 2022	5,873	29,363	35,236
Amortisation expense	<u>(2,325)</u>	<u>(11,625)</u>	<u>(13,950)</u>
Balance at 30 June 2023	3,548	17,738	21,286
Amortisation expense	<u>(2,325)</u>	<u>(11,626)</u>	<u>(13,951)</u>
Balance at 30 June 2024	<u><u>1,223</u></u>	<u><u>6,112</u></u>	<u><u>7,335</u></u>

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Note 15. Intangible assets (continued)

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 and adjusted, if appropriate, at each reporting date.

Change in estimates

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

Note 16. Trade and other payables

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	6,292	6,282
Other payables and accruals	11,099	17,345
	<u>17,391</u>	<u>23,627</u>
	2024	2023
	\$	\$
Financial liabilities at amortised cost classified as trade and other payables		
Total trade and other payables	17,391	23,627
Add: other payables and accruals (net GST payable to the ATO)	1,961	20,886
	<u>19,352</u>	<u>44,513</u>

Note 17. Lease liabilities

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Land and buildings lease liabilities	<u>46,369</u>	<u>31,641</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	<u>376,741</u>	<u>421,154</u>

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Note 17. Lease liabilities (continued)

Reconciliation of lease liabilities

	2024	2023
	\$	\$
Opening balance	452,795	450,050
Remeasurement adjustments	2,178	31,814
Lease interest expense	15,297	15,567
Lease payments - total cash outflow	<u>(47,160)</u>	<u>(44,636)</u>
	<u><u>423,110</u></u>	<u><u>452,795</u></u>

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially measured at the present value of the lease payments to be made over the term of the lease, including renewal options if the company is reasonably certain to exercise such options, discounted using the company's incremental borrowing rate.

The company has applied the following accounting policy choices in relation to lease liabilities:

- The company has elected not to separate lease and non-lease components when calculating the lease liability for property leases.
- The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and low-value assets, which include the company's lease of information technology equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Sarina Branch	3.54%	5 years	2 x 5 years	Yes	April 2035

Note 18. Issued capital

	2024	2023	2024	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	720,109	720,109	720,109	720,109
Less: Equity raising costs	<u>-</u>	<u>-</u>	<u>(32,091)</u>	<u>(32,091)</u>
	<u><u>720,109</u></u>	<u><u>720,109</u></u>	<u><u>688,018</u></u>	<u><u>688,018</u></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.

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Note 18. Issued capital (continued)

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Note 19. 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.

Sarina and District Community Financial Services Ltd
Notes to the financial statements
30 June 2024

Note 19. Capital management (continued)

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

The distribution limit is the greater of:

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

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

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

Note 20. Dividends

Dividends provided for and paid during the period

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

	2024	2023
	\$	\$
Fully franked dividend of 13 cents per share (2023: 10 cents)	<u>93,614</u>	<u>72,011</u>

Franking credits

	2024	2023
	\$	\$
Franking account balance at the beginning of the financial year	250,839	203,802
Franking credits (debits) arising from income taxes paid (refunded)	76,293	71,041
Franking debits from the payment of franked distributions	<u>(31,205)</u>	<u>(24,004)</u>
	<u>295,927</u>	<u>250,839</u>

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

Balance at the end of the financial year	295,927	250,839
Franking credits (debits) that will arise from payment (refund) of income tax	9,442	34,320
Franking credits available for future reporting periods	<u>305,369</u>	<u>285,159</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 when declared during the financial year and no longer at the discretion of the company.

Note 21. Financial risk management

The company's financial instruments include trade receivables and payables, cash and cash equivalents, investments and lease liabilities. The company does not have any derivatives.

The directors are responsible for monitoring and managing the financial risk exposure of the company, to which end it monitors the financial risk management policies and exposures and approves financial transactions within the scope of its authority.

Sarina and District Community Financial Services Ltd
Notes to the financial statements
30 June 2024

Note 21. Financial risk management (continued)

The directors have identified that the only significant financial risk exposures of the company are liquidity and market (price) risk. Other financial risks are not significant to the company due to the following factors:

- The company has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars.
- The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.
- The company has no direct exposure to movements in commodity prices.
- The company's interest-bearing instruments are held at amortised cost which have fair values that approximate their carrying value since all cash and payables have maturity dates within 12 months.
- The company has no borrowings.

Further details regarding the categories of financial instruments held by the company that hold such exposure are detailed below.

	2024	2023
	\$	\$
Financial assets		
Trade and other receivables (note 11)	74,224	101,869
Cash and cash equivalents (note 10)	548,440	482,843
Investments (note 12)	522,231	500,000
	<u>1,144,895</u>	<u>1,084,712</u>
Financial liabilities		
Trade and other payables (note 16)	19,352	44,513
Lease liabilities (note 17)	423,110	452,795
	<u>442,462</u>	<u>497,308</u>

At balance date, the fair value of financial instruments approximated their carrying values.

Accounting policy for financial instruments

Financial assets

Classification

Financial assets are measured at amortised cost.

The company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in term deposits.

Derecognition

A financial asset is derecognised when the company's contractual right to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Impairment of trade and other receivables

Impairment of trade receivables is determined using the simplified approach which uses an estimation of lifetime expected credit losses. The company has not recognised an allowance for expected credit losses in relation to trade and other receivables. Refer to note 4 for further information.

Sarina and District Community Financial Services Ltd
Notes to the financial statements
30 June 2024

Note 21. Financial risk management (continued)

Financial liabilities

Classification

The company classifies its financial liabilities at amortised cost.

Derecognition

A financial liability is derecognised then it is extinguished, cancelled or expires.

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.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$548,440 and investments of \$522,231 at 30 June 2024 (2023: \$482,843 and \$500,000).

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.

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.

The following are the company's 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 \$
2024				
Trade and other payables	17,391	-	-	17,391
Lease liabilities	47,160	188,640	271,170	506,970
Total non-derivatives	64,551	188,640	271,170	524,361
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Trade and other payables	23,627	-	-	23,627
Lease liabilities	47,160	188,640	318,330	554,130
Total non-derivatives	70,787	188,640	318,330	577,757

Note 22. Key management personnel disclosures

The following persons were directors of Sarina and District Community Financial Services Ltd during the financial year and up to the date of signing of these Financial Statements.

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

Rainee Shepperson
Ann Fordyce

Sarina and District Community Financial Services Ltd
Notes to the financial statements
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Note 22. Key management personnel disclosures (continued)

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 23. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 22.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions of transactions with related parties

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

Transactions with related parties

The following sponsorship transactions occurred with entities where a or multiple directors also sit on the board or committee:

	2024	2023
	\$	\$
Mckay Women's Services - Christmas appeal	500	-
Sarina Landcare and Catchment Association	1,808	-
Sarina Rural Skills Centre - Agricultural Competition	720	-
Grasstree Beach Progress Association	1,000	-

Note 24. 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:

	2024	2023
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements	6,845	5,400
<i>Other services</i>		
Taxation advice and tax compliance services	700	760
General advisory services	4,285	3,630
Share registry services	5,350	5,690
	<u>10,335</u>	<u>10,080</u>
	<u>17,180</u>	<u>15,480</u>

Sarina and District Community Financial Services Ltd
Notes to the financial statements
30 June 2024

Note 25. Reconciliation of profit after income tax to net cash provided by operating activities

	2024	2023
	\$	\$
Profit after income tax expense for the year	130,388	196,439
Adjustments for:		
Depreciation and amortisation	100,701	101,517
Lease liabilities interest	15,295	15,567
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	27,645	(25,387)
Increase in deferred tax assets	(8,801)	(9,781)
Increase in trade and other payables	6,596	11,925
Decrease in provision for income tax	(17,468)	(8,836)
Increase in other provisions	866	842
Net cash provided by operating activities	<u>255,222</u>	<u>282,286</u>

Note 26. Earnings per share

	2024	2023
	\$	\$
Profit after income tax	<u>130,388</u>	<u>196,439</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	18.11	27.28
Diluted earnings per share	18.11	27.28

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, by the weighted average number of ordinary shares outstanding during the financial year.

Note 27. Commitments

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

Note 28. Contingencies

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

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 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.


Sarina and District Community Financial Services Ltd
Directors' declaration
30 June 2024

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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the company does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, a consolidated entity disclosure statement has not been included as section 295(3A)(a) of the *Corporations Act 2001* does not apply to the entity.

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

17 September 2024



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

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

Report on the Audit of the Financial Report

Opinion

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

- Statement of financial position as at 30 June 2024
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity for the year then ended
- Statement of cash flows for the year then ended
- Notes to the financial statements, including material accounting policies
- The directors' declaration.

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

- i. giving a true and fair view of the company's financial position as at 30 June 2024 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
ABN: 65 684 604 390
afs@afsbendigo.com.au
03 5443 0344

Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

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.



Andrew Frewin Stewart
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afs@afsbendigo.com.au
03 5443 0344

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 17 September 2024

A handwritten signature in black ink, appearing to read 'Lachlan Tatt', is positioned above the name and title.

Lachlan Tatt
Lead Auditor