# Annual Report 2022

## Mount Martha Community Enterprises Ltd


**Community Bank Mount Martha**

ABN 25 142 190 949

# Contents

# Chairman's report

For year ending 30 June 2022

Community Bank Mount Martha has been trading for a little over 11 years and I can comfortably say that the hard work and disappointment of our early years is now behind us and that we can look forward to a very promising and financially rewarding future.

My report this year is short and happily so, because whilst the year has been very good for Community Bank Mount Martha and financially rewarding, there is very little for me to say. That is a good thing. Less is often more.

The financial statements for last year are included with this report and you will see that they show a very pleasing performance. I urge you to read through them carefully as they give you an insight into the financial progress that Community Bank Mount Martha has made over the past 12 months. Should you have any questions our Treasurer Matt Forsyth is happy to address them.

Community Bank Mount Martha's performance under the leadership of Branch Manager Gary Sanford continued through 2021-22 to be ahead of expectations and ahead of budget.

Gary is now about to start his fourth year of service and I continued to be amazed, (as does he) at how quickly time passes. Gary has prepared a very comprehensive Branch Manager's report which forms part of this Annual Report. Your Board and I recognise that it is his enthusiasm and guidance that has brought Community Bank Mount Martha to the position where it now is.

An indication of his enthusiasm and his leadership was demonstrated (and I congratulate him and his team) when on 3 August this year Bendigo and Adelaide Bank Limited presented Community Bank Mount Martha with two awards, Branch of the Year and Best Lending Growth for the Year. These awards recognise the continued growth of Community Bank Mount Martha not only in it's footings (that is the total of deposit and lending) but in its community engagement. That is where Gary is a serious over achiever.

At the close of business 30 June Community Bank Mount Martha's footings had grown from $177.5 million last year to $225 million. That is particularly significant because the 2021-22 financial year was the year in which interest rates generally were perhaps at their lowest and at their lowest for many years.

Low interest rates made business particularly difficult because it reduced the margin which the Bendigo and Adelaide Bank Ltd shares with Community Bank Mount Martha and made attracting deposits extremely difficult.

With interest rates now climbing the profitability of Community Bank Mount Martha is climbing rapidly. I think that it is fair to say that if interest rates go up over the next 12 months by a full 1% or possibly more the flow on effect will be initially an increase (in fact a substantial increase) in profit but in the longer term may be very negative. The effect of dampening the economy and reducing borrowings may potentially cause the increasing income to flatten out due to reduced demand for borrowing. I hope that that proves not to be the case.

During the year Community Bank Mount Martha contributed in excess of $113,000 to community groups and organisations and paid a dividend of 4 cents per share. I am confident that during 2022-23 an even larger community contribution will be made.

Last year I was pleased to announce that your Board had declared a dividend of 4 cents per share. I am even happier this year to be able to tell you that your Board has declared a dividend of six cents per share, and that it is your Boards belief that an even greater dividend will be declared at next year's Annual General Meeting.

The significance of the dividend amount is not just that shareholders are now reaping a small benefit from the contribution that was made to the establishment of Community Bank Mount Martha in 2010, but because as part of the franchise agreement with Bendigo and Adelaide Bank Limited profit distribution is as near as possible to be distributed 80% to community projects and 20% to dividends.

The dividend will be paid to shareholders next month. If any of you have not already provided banking details I urge you to contact the team at Community Bank Mount Martha as soon as you can because without shareholder banking details your dividend cannot be paid. We still have a small number and happily only a small number of dividends from the 2019-20 and 2020-21 years that are still unpaid.

Each year I comment on the challenge that faces management in keeping staff changes to a minimum. Not only do staff changes cause disruption but are expensive and impact detrimentally on that all-important continuity of service that Gary and his team strives to provide and our customers have come to appreciate.

This year Sarah Waterworth took maternity leave following the birth of her second child in March. Amanda Davidson with 14 years experience with Bendigo and Adelaide Bank Limited both in Community Banking and lending joined Gary's team as a Customer Relationship Officer for 12 months whilst Sarah is on leave. I welcome Amanda to the team.

I am sad to have to tell you that both Chris Keen and Danielle (Dan) Force who joined your Board last year have resigned.

Chris because of a move to Queensland and Dan as a consequence of the pressure of business and staff shortages flowing from the COVID-19 epidemic.

I was particularly sad that Dan needed to resign, because she was both the only female on your Board and also had a wealth of entrepreneurial and management skills which she generously shared with her fellow Directors.

Your Board welcomed two new Directors. Martyn Baker who many of you will remember as the former proprietor of Mount Martha Fine Foods, and Shane Pope an Estate Agent, retired Finance Broker and Director of the Impact Realty Group.

You will be asked to ratify their appointments at the Annual General Meeting.

On 21 November 2012 Colin (Col) Forsyth joined your Board. That is, as of last Monday 10 years ago. During his time with the Board Col has served as a member of the Audit and Governance Committee, Treasurer, and Chair of the Audit and Governance Committee. In those roles he has worked tirelessly and without remuneration to promote the interests of Community Bank Mount Martha, prepare the Annual Budgets and provide insightful monthly reports to your Board. He has been a great support to me, a source of inspiration and well considered guidance, and a hard worker. On your behalf I thank him for his 10 years service and the contribution that he has made to Community Bank Mount Martha and the wider Mount Martha Community.

Community Bank Mount Martha is well-positioned to now go forward to make an even greater contribution to our community. Good governance however is essential if the business is to continue to thrive and grow. Good governance can only come from the leadership of a committed hard-working Board. The Constitution of your Board rests solely in your hands as shareholders. I urge you to consider nominating yourself or someone that you know and respect as a Director. It is essential that your Board comprise a fair gender balance and represent the Community it serves (unfortunately at the present time it does not). Both of these issues need to be addressed but can only be addressed by you as shareholders.

I am confident that as shareholders we can all look forward optimistically to 2023 and beyond and that your investment in 2010 will see Community Bank Mount Martha making greater community contributions. That is what the Community Bank model is all about.

**Nick Roberts OAM**
**Chairman**

# Manager’s report

For year ending 30 June 2022

With the 2022 Financial year completed it’s now time to sum up what we achieved and look back at the impact we have had.

**2022 Branch of the Year**

At Bendigo and Adelaide Bank Limited, Melbourne Peninsula Region Awards night, held at Canadian Bay Hotel on Wednesday 3 August 2022, to celebrate the success of the Mornington Peninsula Region in 2022 financial year, Community Bank Mount Martha was awarded two awards:

- Branch of the Year, and
- Lending Growth.

These awards are in recognition of the continued growth of Community Bank Mount Martha not only in its footing (deposits and lending) but its community engagement. With the branch now in its 12th year since opening in 2011 the hard work over the time by past and present directors and staff is now really starting to pay dividends.

**Our Growth Continues**

The financial year saw a continuation of the lowest interest rates in my time in banking (46 years!), which kept lending rates low and also deposit rates very low.

The release of State and Federal Government initiatives to assist purchases of owner-occupied homes helped stimulated lending activity. The State Governments release of the Victorian Homebuyers Fund certainly assisted us with several home loans approved and funded under the scheme.

The low deposit rates, surprisingly saw our deposits grow as competitors also had very low deposit rates on offer. However, with the RBA interest rate increases starting in May 22, we have seen both lending and deposit rates rise quickly. This has certainly benefitted deposit customers and we have already seen more competition to retain deposits and attract new customers.

These figures reflect strong deposit and lending growth over the full year. To achieve four times our combined deposit and lending budget targets has been an outstanding achievement. We started to see the impact of this with increased incomes for the months of May and June that were above budget targets.

We look forward to the challenges in 2023, which will see further expansion of our community engagement activities. We anticipate this will assist with continued growth.

As of 30th June 2022, our full year results can be summarised below.

| Growth Report Summary: 2022 | | | | |
|---|---|---|---|---|
| | Balance 2021 | Balance 2022 | Growth | % Growth |
| Deposits | $100,051,000 | $134,551,000 | $34,500,000 | 34.48% |
| Loans | $75,494,000 | $89,485,000 | $13,991,000 | 18.53% |
| Equipment Finance | $710,000 | $817,000 | $107,000 | 15.07% |
| Other | $1,242,000 | $873,000 | ($369,000) | - |
| **Total** | **$177,497,000** | **$225,726,000** | **$48,229,000** | **27.17%** |

| | Budget 2021 | Growth 2022 | % Growth |
|---|---|---|---|
| Deposits | $6,550,000 | $34,500,000 | 526.72% |
| Loans | $5,350,000 | $13,991,000 | 261.51% |
| Equipment Finance | $100,000 | $107,000 | 107% |
| Other | - | ($369,000) | - |
| **Total** | **$12,000,000** | **$48,229,000** | **401.91%** |

### Board

Since I started with Community Bank Mount Martha, I have been thankful for the hard work of Board Directors, some for many years, who are all volunteers. They have provided tremendous support to me and all our staff.

I would like to thank and congratulate Nick Roberts, Chairman for his leadership of the Board and his personal engagement with me over the last two and half years. Nick is the inaugural Chairman of the Board and has worked through early years challenges, which I am very pleased that he is now seeing the benefit of what he was part of starting in 2011.

### Staff

Apart from Sarah Waterworth taking maternity leave for the birth of her second child, we have had a year of very stable staffing. Sarah commenced maternity leave on 11 February 2022, which meant we needed to recruit a suitable replacement.

Amanda Davidson, who has over 14 years' experience with Bendigo Bank, agreed to a 12-month contract working three days per week, which has developed into four days per week on average.

We welcomed Amanda to our staff as a Customer Relationship Officer on 28 March 2022.

I would like to also thank our Assistant Manager, Stacey Wakeman who has continued to manage the branch operations, which has freed me to concentrate on lending opportunities and community engagements. Without her commitment to her work, we would not have achieved the growth we did or the Branch of the Year Award.

Both Amye Tebbutt and Narelle Lear have provided great support to our customers and our community.

I am very pleased to be able to say we have a very strong 'TEAM' approach to what we do, and I believe this went a long way to receiving the Branch of the Year Award.

Thank you and congratulations to all our staff.

### Summary

With the increase in our footings, we have been able to sustain income levels even though margins in the banking industry have dropped with reduced interest rates. It has been pleasing that our community funding's have continued to increase in the 2022 financial year, up from $35,000 approx. in 2020, $80,000 in 2021 and $113,000 in 2022.

As we continue to promote: "Support the Bank that Supports Your Community", we look at innovative ways to support all parts of our community.

Highlights for me during the year have been some of our Community Funding initiatives, which have been on top of our ongoing sponsorship and grant funding. These include:

- Negotiating two 10-year Heads of Agreements between Mount Martha Junior Football Club and Mount Martha Cricket Club, and South Mornington Junior Football Club and South Mornington Football Club, which utilise the Electronic Scoreboards at Ferrero Reserve and Citation Oval, which has seen joint ownership of the scoreboards - $80,000 funded
- Jointly branded marquees provided to local community groups
- $8,500 gift vouchers purchased from local businesses to support them during COVID-19.

We look forward to expanding on these initiatives during the 2023 financial year too.

We again held a business breakfast on 26 May 2022, which we called a Federal Election Overview breakfast at South Beach Project. We had Bendigo Bank's Head of Economic and Market Research David Robinson as our guest speaker. We had approx. 50 local business and community people attend who all seemed to get a lot out of the morning.

Overall, it has been a very successful 2022 financial year, which I feel has set us up for a very bright future with increased community engagements and funding.

**Gary Sanford**
**Branch Manager**

# Directors' report

For the financial year ended 30 June 2022

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:

### Nicholas John Roberts

| | |
|---|---|
| Title: | Non-executive director |
| Experience and expertise: | Nick was managing partner of Roberts Partners, a large legal practice on the Mornington Peninsula, responsible for the development and management of the firm's professional and business practice. A qualified accountant and tax agent, he now practices as an arbitrator and mediator, with many years of experience in those fields. Over the years Nick has had a committed involvement in local clubs and associations having served in positions with the Mt Martha Rotary Club including two terms as President. |
| Special responsibilities: | Chairman and Human Resources Committee |

### Colin Stanley Forsyth

| | |
|---|---|
| Title: | Non-executive director |
| Experience and expertise: | Colin has an accounting diploma and has worked for Bluescope Steel for 30 years where he predominantly worked in management accounting roles. He was also a director and member of the audit committee for the Lysaght Credit Union during that time. |
| Special responsibilities: | Treasurer, Chair Governance, Audit and Finance Committee |

### Wilfred John Schubert

| | |
|---|---|
| Title: | Non-executive director |
| Experience and expertise: | Operated a newsagency with Tattslotto Licence and Post Office. Banking experience with Resi State and Heine Management. |
| Special responsibilities: | Marketing & Business Development Committee |

**Directors (continued)**

### Bruce Blackwood Ranken

| | |
|---|---|
| Title: | Non-executive director |
| Experience and expertise: | Bruce is a manager with over 21 years experience in Recruitment, Human Resources and leading large teams. Originally a chef by trade Bruce transitioned into recruitment and focused on the hospitality sector, becoming a partner in the largest hospitality recruitment business in Victoria. He then transitioned into the blue collar & trades sector of recruitment where he led large teams across the country, delivering to national clients across other sectors including agriculture, Wine and Automotive. More recently now working with a global firm and leading the Victorian Team in blue collar, white collar, trade, health and automotive. He has always looked beyond the paid employment and given back wherever possible. This includes board positions held at Recruitment Consulting Services Association. Bruce was a former Councillor for Nillumbik Shire from 2016-2020 which also included the positions of Deputy Mayor 2018-2019, Chair of Finance and Governance, Chair of Social Infrastructure and Audit and Risk committee member. Bruce's other interests include the Rotary International and Scouting Association. Bruce holds a Diploma in Human resources, Hospitality Management and Events Management whilst also being a member of the Australian Institute of Company directors and Retirement Consulting Services Association. |
| Special responsibilities: | Chair Human Resources Committee |

### Matt Neil Forsyth

| | |
|---|---|
| Title: | Non-executive director |
| Experience and expertise: | Matt has an Accounting Diploma and is currently undertaking his accounting degree. He has worked for BCV Financial Solutions for the past 3 years primarily in Tax Accounting. |
| Special responsibilities: | Member of the Governance, Audit and Finance Committee |

### Shane Anthony Pope

| | |
|---|---|
| Title: | Non-executive director (appointed 28 July 2022) |
| Experience and expertise: | Shane has been in real estate for eight years, having run and owned multiple offices over his career. He joins us from his post at South Mornington Football Club where in the years past he has served as President and currently a Board Member. Having grown up in the Peninsula, it is a place he is proud to call home. Locally schooled and now living back in his home suburb of Mount Eliza, he is keen to be of great value to the local and broader community and particularly the bank and its noble community and charitable engagements. |
| Special responsibilities: | Marketing Committee |

**Directors (continued)**

### Martyn George Baker

| | |
|---|---|
| Title: | Non-executive director (appointed 27 January 2022) |
| Experience and expertise: | Martyn moved to the Mornington Peninsula in 1995 from London with his Bride to be Lisa, a Melbourne nurse and midwife. They met while travelling in Los Angeles in 1992 and Lisa moved to London later that year. Martyn decided to change his career from communications engineer to hospitality and worked in and managed several venues in Sorrento and Portsea. They purchased Mount Martha Fine Foods in the village in 1997 and two years later moved from McCrae to Mount Martha. They successfully ran the business for 21 years before selling to two staff members one of which was their eldest son Ned who has carried on the tradition of great food and coffee. Over his time here Martyn has been involved with the Mount Martha Tennis Club for 16 years and his two sons Ned and Tom have played cricket, footy, tennis and soccer locally. So many years were spent on the sidelines at Ferrero Reserve and the Tennis Club. Martyn was involved in helping to get the bank off the ground by procuring the original premises along with several other concerned traders in Mount Martha. Now retired Martyn looks forward to assisting the Board in any way he can and giving back to the local community that has supported him in life and business. |
| Special responsibilities: | Nil |

### Danielle Simone Force

| | |
|---|---|
| Title: | Non-executive director (resigned 28 July 2022) |
| Experience and expertise: | Danielle is a Wesley College Graduate in 1990, and holds a Bachelors degree in Visual Communications from RMIT. She has previously been a self-employed photographer from 1995-2001 until transitioning into event planning as a director of Better Chemistry Pty Ltd from 2000-2008. She has run and owned her own cafe from 2013 to present. Danielle also has experience as a self expression and leadership coach from 2001-2008. |
| Special responsibilities: | Human Resources Committee |

### Christopher James Keen

| | |
|---|---|
| Title: | Non-executive director (resigned 27 January 2022) |
| Experience and expertise: | Christopher holds a Diploma and Certificate 4 in Building and Construction and maintains another directorship position a Keen Construction Co Pty Ltd. |
| Special responsibilities: | Governance, Audit and Finance Committee |

### Geoffrey Ian Kidd

| | |
|---|---|
| Title: | Non-executive director (resigned 18 November 2021) |
| Experience and expertise: | Geoffrey was principal of P R Jennings & Co, Certified Practicing Accountants for over 20 years. He holds a degree in economics and has a Practicing Certificate from CPA Australia and is a Registered Company Auditor. Located in Mornington, P R Jennings & Co provide a wide range of tax accounting and audit services to a client base predominantly centred on the Mornington Peninsula. |
| Special responsibilities: | Deputy Chair, Audit and Governance Sub Committee |

**Directors (continued)**

## John Robert Forsyth

| | |
|---|---|
| Title: | Non-executive director (resigned 4 August 2021) |
| Experience and expertise: | Business experience is as a property consultant, real estate agent and valuer, now specialising in the areas of commercial and retail property. Formal qualification is CPV - Certified Practising Valuer. Experience in governance, aspects of finance, business and property has been obtained through employment with Hill Samuel Ltd, now Macquarie Bank, as a partner in Fitzroys Pty Ltd for twenty-five years and more recently, a smaller business known as Scrivener Forsyth which has, as its major activity, involvement in several aspects of dispute resolution. Also appointed as a member of the Victorian Civil and Administrative Tribunal. Additionally, broader experience has been gained through extensive involvement as a director of private companies, a member of the boards of professional organisations, as a member of the general committee and chair of the development committee of a large yacht club and various roles for not for profit entities. |
| Special responsibilities: | Chair of Assets and Human Resource Committee |

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

**Company secretary**

There have been two company secretaries holding the position during the financial year:

- Wilfred John Schubert was appointed company secretary on 18 November 2021.
- Geoffrey Ian Kidd was appointed company secretary on 23 April 2018 and ceased on 18 November 2021.

**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 $95,976 (30 June 2021: $201,764).

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<br>$ |
|---|---|
| **Unfranked dividend of 4 cents per share (2021: 3.5 cents)** | **41,234** |

**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

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

No other 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 director meetings attended by each of the directors' of the company during the financial year were:

| | Board | |
|---|---|---|
| | Eligible | Attended |
| Nicholas John Roberts | 12 | 12 |
| Colin Stanley Forsyth | 12 | 12 |
| Geoffrey Ian Kidd | 5 | 4 |
| Wilfred John Schubert | 12 | 12 |
| Bruce Blackwood Ranken | 12 | 11 |
| Matt Neil Forsyth | 12 | 11 |
| Christopher James Keen | 6 | 6 |
| Danielle Simone Force | 7 | 7 |
| John Robert Forsyth | - | - |
| Martyn George Baker | 6 | 5 |
| Shane Anthony Pope | - | - |

### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 25 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

### Directors' interests

The interest in company shareholdings for each director are:

| | Balance at the start of the year $ | Changes $ | Balance at the end of the year $ |
|---|---|---|---|
| Nicholas John Roberts | 20,001 | - | 20,001 |
| Colin Stanley Forsyth | 2,000 | - | 2,000 |
| Geoffrey Ian Kidd | 2,001 | - | 2,001 |
| Wilfred John Schubert | - | - | - |
| Bruce Blackwood Ranken | - | - | - |
| Matt Neil Forsyth | - | - | - |
| Christopher James Keen | - | - | - |
| Danielle Simone Force | - | - | - |
| John Robert Forsyth | - | - | - |
| Martyn George Baker | 22,000 | - | 22,000 |
| Shane Anthony Pope | - | - | - |

### Indemnity and insurance of directors and officers

The company has indemnified all directors, officers 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, officers 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 28 to the accounts.

**Non-audit services (continued)**

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:

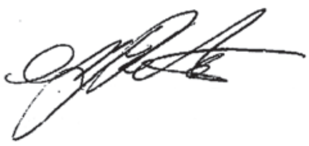
- all non-audit services have been reviewed by the Board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, 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



**Nicholas John Roberts**
**Chairman**

12 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 Mount Martha Community Enterprises Ltd

As lead auditor for the audit of Mount Martha Community Enterprises 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.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, Vic, 3550
Dated: 12 October 2022

**Adrian Downing**
**Lead Auditor**

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income
## for the year ended 30 June 2022

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| Revenue from contracts with customers | 6 | 953,568 | 925,673 |
| Other revenue | 7 | 7,813 | 27,382 |
| Finance revenue | | 1 | 564 |
| Gain on remeasurement of right-of-use assets | 8 | - | 156,285 |
| Employee benefits expense | 10 | (437,484) | (420,195) |
| Advertising and marketing costs | | (34,304) | (12,731) |
| Occupancy and associated costs | | (15,919) | (26,204) |
| System costs | | (29,474) | (37,653) |
| Depreciation and amortisation expense | 10 | (110,638) | (126,430) |
| Finance costs | 10 | (16,412) | (27,472) |
| General administration expenses | | (97,013) | (98,058) |
| Loss on disposal of assets | 9 | (5,790) | (17,064) |
| **Profit before community contributions and income tax expense** | | **214,348** | **344,097** |
| Charitable donations and sponsorships expense | | (78,789) | (66,877) |
| **Profit before income tax expense** | | **135,559** | **277,220** |
| Income tax expense | 11 | (39,583) | (75,456) |
| **Profit after income tax expense for the year** | **22** | **95,976** | **201,764** |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | **95,976** | **201,764** |
| | | **Cents** | **Cents** |
| Basic earnings per share | 30 | 9.31 | 19.57 |
| Diluted earnings per share | 30 | 9.31 | 19.57 |

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

## Statement of Financial Position
as at 30 June 2022

| | Note | 2022 $ | 2021 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 12 | 298,078 | 158,151 |
| Trade and other receivables | 13 | 118,879 | 92,711 |
| **Total current assets** | | **416,957** | **250,862** |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 161,292 | 188,480 |
| Right-of-use assets | 15 | 404,371 | 446,410 |
| Intangibles | 16 | 88,048 | 120,563 |
| Deferred tax assets | 11 | 73,515 | 113,099 |
| **Total non-current assets** | | **727,226** | **868,552** |
| **Total assets** | | **1,144,183** | **1,119,414** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 63,139 | 57,571 |
| Lease liabilities | 18 | 46,039 | 42,947 |
| Employee benefits | 19 | 40,319 | 37,506 |
| **Total current liabilities** | | **149,497** | **138,024** |
| **Non-current liabilities** | | | |
| Trade and other payables | 17 | 28,316 | 42,474 |
| Lease liabilities | 18 | 383,203 | 429,243 |
| Employee benefits | 19 | 19,513 | 11,967 |
| Provisions | 20 | 11,206 | - |
| **Total non-current liabilities** | | **442,238** | **483,684** |
| **Total liabilities** | | **591,735** | **621,708** |
| **Net assets** | | **552,448** | **497,706** |
| **Equity** | | | |
| Issued capital | 21 | 1,002,892 | 1,002,892 |
| Accumulated losses | 22 | (450,444) | (505,186) |
| **Total equity** | | **552,448** | **497,706** |

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

## Statement of Changes in Equity
for the year ended 30 June 2022

| | Note | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2020** | | 1,002,892 | (670,870) | 332,022 |
| Profit after income tax expense | | - | 201,764 | 201,764 |
| Other comprehensive income, net of tax | | - | - | - |
| **Total comprehensive income** | | **-** | **201,764** | **201,764** |
| *Transactions with owners in their capacity as owners:* | | | | |
| Dividends provided for | 24 | - | (36,080) | (36,080) |
| **Balance at 30 June 2021** | | **1,002,892** | **(505,186)** | **497,706** |
| **Balance at 1 July 2021** | | 1,002,892 | (505,186) | 497,706 |
| Profit after income tax expense | | - | 95,976 | 95,976 |
| Other comprehensive income, net of tax | | - | - | - |
| **Total comprehensive income** | | **-** | **95,976** | **95,976** |
| *Transactions with owners in their capacity as owners:* | | | | |
| Dividends provided for | 24 | - | (41,234) | (41,234) |
| **Balance at 30 June 2022** | | **1,002,892** | **(450,444)** | **552,448** |

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

## 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) | | 1,030,450 | 1,046,004 |
| Payments to suppliers and employees (inclusive of GST) | | (773,581) | (699,870) |
| | | 256,869 | 346,134 |
| Interest received | | 1 | 564 |
| **Net cash provided by operating activities** | **29** | **256,870** | **346,698** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (3,675) | (194,557) |
| Payments for intangibles | | (12,871) | (85,166) |
| **Net cash used in investing activities** | | **(16,546)** | **(279,723)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | 24 | (41,234) | (36,080) |
| Repayment of lease liabilities | 18 | (59,163) | (99,069) |
| **Net cash used in financing activities** | | **(100,397)** | **(135,149)** |
| Net increase/(decrease) in cash and cash equivalents | | 139,927 | (68,174) |
| Cash and cash equivalents at the beginning of the financial year | | 158,151 | 226,325 |
| **Cash and cash equivalents at the end of the financial year** | **12** | **298,078** | **158,151** |

*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 Mount Martha Community Enterprises Ltd (the company) as an individual entity. The financial statements are presented in Australian dollars, which is the 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:

| **Registered office** | **Principal place of business** |
|---|---|
| 74 Dandenong Road West, Frankston VIC 3199 | Shop 6, 34-38 Lochiel Avenue, Mount Martha VIC 3934 |

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 12 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.

## Note 3. Significant accounting policies (continued)

**Impairment**

*Non-derivative financial assets*

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

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

*Non-financial assets*

At each reporting date, the company reviews the carrying amounts of its tangible assets 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.

## 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 non-strategic assets that have been abandoned or sold will be written off or written down.

*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, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*

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

*Employee benefits provision*

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

*Lease make good provision*

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

## 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.

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<br>$ | 2021<br>$ |
|---|---:|---:|
| Margin income | 779,621 | 751,100 |
| Fee income | 48,292 | 45,911 |
| Commission income | 125,655 | 128,662 |
| **Revenue from contracts with customers** | **953,568** | **925,673** |

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:

## Note 6. Revenue from contracts with customers (continued)

| Revenue stream | Includes | Performance obligation | Timing of recognition |
|---|---|---|---|
| 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.

*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<br>$ | 2021<br>$ |
|---|---|---|
| Cash flow boost | - | 27,382 |
| Other income | 7,813 | - |
| **Other revenue** | **7,813** | **27,382** |

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.

| Revenue stream | Revenue recognition policy |
|---|---|
| Cash flow boost | Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement). |
| Other income | All other revenues that did not contain contracts with customers are recognised as goods and services are provided. |

All revenue is stated net of the amount of 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. Gain on remeasurement of right-of-use assets

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Gain on remeasurement of right-of-use assets** | **-** | **156,285** |

As at 1 July 2019, under AASB 16 Leases, the company brought to account the applicable lease liability and right of use asset under their 5a and 7 Bay Road branch property lease agreements. During the previous financial year the company moved premises to Shop 6, 34-38 Lochiel Ave, resulting in the renewal options included in the original branch lease agreements not being taken up. To recognise this, the lease liability and right of use asset of the original lease agreements were reduced by the 5 year renewal option terms and the difference is recognised through the gain on remeasurement of right-of-use assets account. Please note the majority of this gain is offset by the loss recognised through retained earnings on 1 July 2019.

## Note 9. Loss on disposal of assets

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Loss on disposal of non-current assets** | **5,790** | **17,064** |

Loss on disposal of non-current assets relates to any items of Property, Plant & Equipment which have been disposed of during the financial year while still having a carrying value for depreciation purposes.

## Note 10. Expenses

**Depreciation and amortisation expense**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Depreciation of non-current assets* | | |
| Leasehold improvements | 23,584 | 17,425 |
| Plant and equipment | 1,491 | 2,483 |
| | **25,075** | **19,908** |
| *Depreciation of right-of-use assets* | | |
| Leased land and buildings | 45,720 | 64,397 |
| Leased motor vehicles | 7,328 | 9,770 |
| | **53,048** | **74,167** |
| *Amortisation of intangible assets* | | |
| Franchise fee | 2,114 | 4,055 |
| Franchise renewal process fee | 10,573 | 8,472 |
| Redomicile fee | 19,828 | 19,828 |
| | **32,515** | **32,355** |
| | **110,638** | **126,430** |

**Finance costs**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Lease interest expense | 16,215 | 27,010 |
| Unwinding of make-good provision | 197 | 462 |
| | **16,412** | **27,472** |

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

**Employee benefits expense**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Wages and salaries | 368,928 | 360,728 |
| Non-cash benefits | 3,014 | 5,716 |
| Superannuation contributions | 36,404 | 32,533 |
| Expenses related to long service leave | 8,172 | 5,993 |
| Other expenses | 20,966 | 15,225 |
| | **437,484** | **420,195** |

**Leases recognition exemption**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Expenses relating to low-value leases** | **13,194** | **20,224** |

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.

## Note 11. Income tax

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Income tax expense* | | |
| Movement in deferred tax | (5,311) | 36,734 |
| Reduction in company tax rate | - | 4,524 |
| Recoupment of prior year tax losses | 44,894 | 34,198 |
| **Aggregate income tax expense** | **39,583** | **75,456** |
| *Prima facie income tax reconciliation* | | |
| Profit before income tax expense | 135,559 | 277,220 |
| Tax at the statutory tax rate of 25% (2021: 26%) | 33,890 | 72,077 |
| Tax effect of: | | |
| Non-deductible expenses | 5,693 | 5,974 |
| Reduction in company tax rate | - | 4,524 |
| Other assessable income | - | (7,119) |
| **Income tax expense** | **39,583** | **75,456** |

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Deferred tax assets/(liabilities)* | | |
| Employee benefits | 14,958 | 12,450 |
| Lease liabilities | 100,135 | 108,694 |
| Provision for lease make good | 2,802 | - |
| Accrued expenses | 421 | 539 |
| Right-of-use assets | (95,597) | (104,275) |
| Carried-forward tax losses | 50,796 | 95,691 |
| **Deferred tax asset** | **73,515** | **113,099** |

*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.

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.

## Note 11. Income tax (continued)

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

## Note 12. Cash and cash equivalents

| | 2022 $ | 2021 $ |
|---|---|---|
| Cash at bank and on hand | 172,917 | 157,990 |
| Term deposits | 125,161 | 161 |
| | **298,078** | **158,151** |

*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 13. Trade and other receivables

| | 2022 $ | 2021 $ |
|---|---|---|
| Trade receivables | 102,851 | 76,565 |
| Other receivables and accruals | 10,000 | 10,000 |
| Prepayments | 6,028 | 6,146 |
| | **16,028** | **16,146** |
| | **118,879** | **92,711** |

*Accounting policy for trade and other receivables*

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

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

## Note 14. Property, plant and equipment

| | 2022 $ | 2021 $ |
|---|---|---|
| Leasehold improvements - at cost | 191,643 | 191,643 |
| Less: Accumulated depreciation | (38,304) | (14,721) |
| | **153,339** | **176,922** |
| Plant and equipment - at cost | 31,730 | 74,659 |
| Less: Accumulated depreciation | (23,777) | (63,101) |
| | **7,953** | **11,558** |
| | **161,292** | **188,480** |

## Note 14. Property, plant and equipment (continued)

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 $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2020 | 18,366 | 12,529 | 30,895 |
| Additions | 191,643 | 2,914 | 194,557 |
| Disposals | (15,662) | (1,402) | (17,064) |
| Depreciation | (17,425) | (2,483) | (19,908) |
| **Balance at 30 June 2021** | **176,922** | **11,558** | **188,480** |
| Additions | - | 5,266 | 5,266 |
| Disposals | - | (7,379) | (7,379) |
| Depreciation | (23,584) | (1,491) | (25,075) |
| **Balance at 30 June 2022** | **153,338** | **7,954** | **161,292** |

*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 diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

| | |
|---|---|
| Leasehold improvements | 7.5 years |
| Plant and equipment | 2.5 to 7.5 years |

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

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

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

*Changes in estimates*

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

## Note 15. Right-of-use assets

| | 2022 $ | 2021 $ |
|---|---|---|
| Land and buildings - right-of-use | 461,927 | 450,917 |
| Less: Accumulated depreciation | (79,540) | (33,819) |
| | **382,387** | **417,098** |
| Motor vehicles - right-of-use | 44,911 | 44,911 |
| Less: Accumulated depreciation | (22,927) | (15,599) |
| | **21,984** | **29,312** |
| | **404,371** | **446,410** |

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

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 $ | Motor vehicles $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2020 | 341,454 | 39,082 | 380,536 |
| Additions | 450,917 | - | 450,917 |
| Remeasurement adjustments | (310,876) | - | (310,876) |
| Depreciation expense | (64,397) | (9,770) | (74,167) |
| **Balance at 30 June 2021** | **417,098** | **29,312** | **446,410** |
| Remeasurement adjustments | 11,009 | - | 11,009 |
| Depreciation expense | (45,720) | (7,328) | (53,048) |
| **Balance at 30 June 2022** | **382,387** | **21,984** | **404,371** |

*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 18 for more information on lease arrangements.

## Note 16. Intangibles

| | 2022 $ | 2021 $ |
|---|---|---|
| Redomicile fee | 126,353 | 126,353 |
| Less: Accumulated amortisation | (86,696) | (66,868) |
| | **39,657** | **59,485** |
| Franchise fee | 31,870 | 31,870 |
| Less: Accumulated amortisation | (25,771) | (23,657) |
| | **6,099** | **8,213** |
| Franchise renewal fee | 109,349 | 109,349 |
| Less: Accumulated amortisation | (67,057) | (56,484) |
| | **42,292** | **52,865** |
| | **88,048** | **120,563** |

## Note 16. Intangibles (continued)

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

| | Franchise fee<br>$ | Franchise renewal fee<br>$ | Redomicile fee<br>$ | Total<br>$ |
|---|---|---|---|---|
| Balance at 1 July 2020 | 1,695 | 8,472 | 79,313 | 89,480 |
| Additions | 10,573 | 52,865 | - | 63,438 |
| Amortisation expense | (4,055) | (8,472) | (19,828) | (32,355) |
| **Balance at 30 June 2021** | **8,213** | **52,865** | **59,485** | **120,563** |
| Amortisation expense | (2,114) | (10,573) | (19,828) | (32,515) |
| **Balance at 30 June 2022** | **6,099** | **42,292** | **39,657** | **88,048** |

*Additions*

During the previous financial year the franchise fee was renewed, this is being amortised over 5 years until April 2026.

*Accounting policy for intangible assets*

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

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

The franchise fees paid and domiciled customer accounts purchased (redomicile fee) 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:

| Asset class | Method | Useful life | Expiry/renewal date |
|---|---|---|---|
| Franchise fee | Straight-line | Over the franchise term (5 years) | April 2026 |
| Franchise renewal fee | Straight-line | Over the franchise term (5 years) | April 2026 |
| Redomicile fee | Straight-line | 4 years | June 2024 |

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.

## Note 17. Trade and other payables

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | 5,885 | 2,753 |
| Other payables and accruals | 57,254 | 54,818 |
| | **63,139** | **57,571** |
| *Non-current liabilities* | | |
| **Other payables and accruals** | **28,316** | **42,474** |

## Note 17. Trade and other payables (continued)

*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 18. Lease liabilities

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Land and buildings lease liabilities | 50,552 | 49,080 |
| Unexpired interest | (13,588) | (14,844) |
| Motor vehicle lease liabilities | 10,083 | 10,082 |
| Unexpired interest | (1,008) | (1,371) |
| | **46,039** | **42,947** |
| *Non-current liabilities* | | |
| Land and buildings lease liabilities | 414,634 | 465,186 |
| Unexpired interest | (51,058) | (64,646) |
| Motor vehicle lease liabilities | 20,041 | 30,124 |
| Unexpired interest | (414) | (1,421) |
| | **383,203** | **429,243** |

**Reconciliation of lease liabilities**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Opening balance | 472,190 | 558,638 |
| Additional lease liabilities recognised | - | 450,917 |
| Remeasurement adjustments | - | (465,306) |
| Lease interest expense | 16,215 | 27,010 |
| Lease payments - total cash outflow | (59,163) | (99,069) |
| | **429,242** | **472,190** |

**Maturity analysis**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Not later than 12 months | 60,635 | 59,162 |
| Between 12 months and 5 years | 237,878 | 241,616 |
| Greater than 5 years | 196,797 | 253,694 |
| | **495,310** | **554,472** |

## Note 18. Lease liabilities (continued)

*Accounting policy for lease liabilities*

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

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

The 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:

| | |
|---|---|
| 5A Bay Road | The lease agreement commenced in October 2020 and is a non-cancellable term of 10 years. The company has 3 x 5 year renewal options available which for AASB 16: Leases purposes they are not reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is September 2030. The discount rate used in calculations is 3.54%. |
| Motor vehicle | The lease agreement is a non-cancellable term of four years. The lease includes a final balloon payment on 9 January 2024 at which time the registered security over the motor vehicle is removed. |

*Remeasurement adjustments*

Prior period remeasurements and additions relate to the new branch lease entered into and the termination of the old branch lease.

## Note 19. Employee benefits

| | 2022<br>$ | 2021<br>$ |
|---|---:|---:|
| *Current liabilities* | | |
| Annual leave | 34,971 | 32,784 |
| Long service leave | 5,348 | 4,722 |
| | **40,319** | **37,506** |
| *Non-current liabilities* | | |
| **Long service leave** | **19,513** | **11,967** |

*Accounting policy for employee benefits*

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

## Note 19. Employee benefits (continued)

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

*Superannuation contributions*

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

*Short-term employee benefits*

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

*Other long-term employee benefits*

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

## Note 20. Provisions

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Lease make good** | **11,206** | **-** |

*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 brought this obligation to account this period. The company has estimated the provision to be $15,000 for the Mount Martha Branch lease, based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire September 2030 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 21. Issued capital

| | 2022 Shares | 2021 Shares | 2022 $ | 2021 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 1,030,855 | 1,030,855 | 1,030,855 | 1,030,855 |
| Less: Equity raising costs | - | - | (27,963) | (27,963) |
| | **1,030,855** | **1,030,855** | **1,002,892** | **1,002,892** |

*Accounting policy for issued capital*

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

**Rights attached to issued capital**

*Ordinary shares*

Voting rights

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

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

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

Dividends

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

Transfer

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

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

*Prohibited shareholding interest*

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 274. As at the date of this report, the company had 294 shareholders (2021: 300 shareholders).

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

## Note 21. Issued capital (continued)

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and 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 22. Accumulated losses

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (505,186) | (670,870) |
| Profit after income tax expense for the year | 95,976 | 201,764 |
| Dividends paid (note 24) | (41,234) | (36,080) |
| **Accumulated losses at the end of the financial year** | **(450,444)** | **(505,186)** |

## Note 23. Capital management

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

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

The distribution limit is the greater of:

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

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

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

## Note 24. 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<br>$ | 2021<br>$ |
|---|---|---|
| **Unfranked dividend of 4 cents per share (2021: 3.5 cents)** | **41,234** | **36,080** |

## Note 24. Dividends (continued)

*Accounting policy for dividends*

Dividends are recognised in the financial year they are declared.

## Note 25. Financial instruments

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 112,851 | 86,565 |
| Cash and cash equivalents | 298,078 | 158,151 |
| | **410,929** | **244,716** |
| **Financial liabilities** | | |
| Trade and other payables | 91,455 | 100,045 |
| Lease liabilities | 429,242 | 472,190 |
| | **520,697** | **572,235** |

*Accounting policy for financial instruments*

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

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

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. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

## Note 25. Financial instruments (continued)

The company held cash and cash equivalents of $298,078 at 30 June 2022 (2021: $158,151). 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.

*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.

| 2022 | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| Trade and other payables | 63,139 | 28,316 | - | 91,455 |
| Lease liabilities | 60,635 | 237,878 | 196,797 | 495,310 |
| **Total non-derivatives** | **123,774** | **266,194** | **196,797** | **586,765** |

| 2021 | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| Trade and other payables | 57,571 | 42,474 | - | 100,045 |
| Lease liabilities | 59,162 | 241,616 | 253,694 | 554,472 |
| **Total non-derivatives** | **116,733** | **284,090** | **253,694** | **654,517** |

## Note 26. Key management personnel disclosures

The following persons were directors of Mount Martha Community Enterprises Ltd during the financial year:

Nicholas John Roberts
Colin Stanley Forsyth
Geoffrey Ian Kidd
Wilfred John Schubert
Bruce Blackwood Ranken
Matt Neil Forsyth
Christopher James Keen
Danielle Simone Force
John Robert Forsyth
Martyn George Baker
Shane Anthony Pope

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

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

## Note 27. Related party transactions

The following transactions occurred with related parties:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Expense allowances paid to directors.** | **8,300** | **1,400** |

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

## Note 28. Remuneration of auditors

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

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Audit services* | | |
| Audit or review of the financial statements | 5,200 | 5,000 |
| *Other services* | | |
| General advisory services | 2,920 | 3,050 |
| Share registry services | 4,246 | 3,405 |
| | **7,166** | **6,455** |
| | **12,366** | **11,455** |

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

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Profit after income tax expense for the year | 95,976 | 201,764 |
| Adjustments for: | | |
| Depreciation and amortisation | 110,638 | 126,430 |
| Net loss on disposal of non-current assets | 5,790 | 17,064 |
| Net gain on disposal of right-of-use assets | - | (156,285) |
| Lease liabilities interest | 16,215 | 27,010 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (26,168) | 14,086 |
| Decrease in deferred tax assets | 39,584 | 75,457 |
| Increase in trade and other payables | 4,279 | 27,460 |
| Increase in employee benefits | 10,359 | 26,667 |
| Increase/(decrease) in other provisions | 197 | (12,955) |
| **Net cash provided by operating activities** | **256,870** | **346,698** |

## Note 30. Earnings per share

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Profit after income tax** | **95,976** | **201,764** |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 1,030,855 | 1,030,855 |
| **Weighted average number of ordinary shares used in calculating diluted earnings per share** | **1,030,855** | **1,030,855** |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | 9.31 | 19.57 |
| Diluted earnings per share | 9.31 | 19.57 |

*Accounting policy for earnings per share*

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Mount Martha Community Enterprises 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 31. Commitments

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

## Note 32. Contingencies

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

## Note 33. Events after the reporting period

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

No other 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

**Nicholas John Roberts**
**Chairman**

12 October 2022

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

# Independent auditor's report to the Directors of Mount Martha Community Enterprises Ltd

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Mount Martha Community Enterprises 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 Mount Martha Community Enterprises 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.

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## Other Information

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

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

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, Vic, 3550
Dated: 12 October 2022

**Adrian Downing**
**Lead Auditor**

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