Annual Report 2021

East Malvern Community Financial Services Limited

Community Bank
Malvern East

ABN 27 089 542 174

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Chairman’s report

For year ending 30 June 2021

In what has been a transformative year for the company, still heavily influenced by the global pandemic, the overall results of your company have significantly benefited from the diversity of income and the variable nature of our community partner program. Demonstrating yet again the sustainability of our social enterprise to operate through severe economic turbulence and to continue to provide essential banking services at the local level.

Last year, the COVID-19 pandemic saw our investment returns record a $60,000 loss due to the initial panic in financial markets. This year investment returns have strongly rebounded with a positive $159,000 contribution to revenue and operating profits as investor confidence returned on the back of substantial government support and the re-opening of economies. The $219,000 turn-around in investment returns has largely offset the material impact of declining deposit interest margins which alone resulted in a $236,000 reduction in branch revenue compared to the prior year. The 8.3% growth in branch footings to $182.8 million along with improving lending margins contributed $88,000 to branch revenue compared to the prior year.

Financial metrics were as follows:

	$’000		
	2021	2020	Change
Revenue	1,117	1,062	up 5.2%
Operating profits before sponsorships and tax	283	321	down 11.8%
Sponsorships and donations	151	273	down 44.7%
Shareholder dividends (declared/paid)	79	99	down 20.2%
Branch footings	182.8 million	168.8 million	up 8.3%

Declining interest margins are a long-term threat that your Board has clearly in focus and underpinned the decision to move to smaller premises and undertake the Network Transformation branch refurbishment. This was a significant investment by the company with expected long-term returns. It is pleasing to see very positive customer feedback, a vastly improved working environment for our team and the return to growth in branch footings.

Primarily due to a multitude of Victorian government directed lockdowns throughout the year the level of sponsorships reduced by 44.7% to $151,000 as many community partner sport seasons and/or fund raising activities were cancelled.

In 2021 the branch operating profit fell by $257,000 to $124,000 principally due to a $164,000 reduction in branch revenue. In the current year the benefit of growing branch footings added $52,000 to branch revenue while declining interest margins resulted in a $197,000 reduction in branch revenue. Expenses were up $93,000 due to $29,000 in one-off marketing credits received from Bendigo Bank in the prior year, an $11,000 increase in franchise fees following a move to annual payments, an $18,000 increase in depreciation for the new branch fit-out and a $38,000 increase in labour costs primarily due to higher accrued leave balances.

Operating Results ($'000)	1H21	2H21	Total 2021	1H20	2H20	Total 2020
Community Banking						
Branch revenue	518	440	958	566	556	1,122
Branch operating profit	84	40	124	180	201	381
Operating margin	16%	9%	13%	32%	36%	34%
Investment Income						
Cash investment earnings	26	37	63	50	10	60
Mark-to-market adjustment	33	63	96	(45)	(75)	(120)
Operating Profit before Sponsorships and Tax	**143**	**140**	**283**	**185**	**136**	**321**
Sponsorships			(151)			(273)
Net profit/(loss) before tax			**132**			**48**

The $164,000 fall in branch revenue comes on top of reductions of $136,000 and $104,000 in the two previous years. Looking back three years ago to 2018, branch footings are virtually unchanged however over that period of time underlying annual branch revenue has fallen by $393,000 or 30%. This has directly impacted on the company's ability to support the community through sponsorships and dividends to our shareholders.

It is widely anticipated that interest rates will remain at low levels for a long period of time and so our business needs to adapt to this environment. For our company the low rate environment has seen interest margins on deposits fall by almost two thirds over the last 24 months. The light at the end of the tunnel is however in sight as deposit interest margins appear to have bottomed out in 2H 21, while on the back of continuing solid growth in footings the branch operating performance has now returned to an upward trend which is very welcome.

Ruth Hall and her whole team have done a fantastic job, not only coping with the many COVID-19 disruptions to keep our doors open throughout the pandemic, but managing the move to our new branch. This has set the branch up to thrive and for enduring success. Growth in footings has certainly accelerated following the move to our new premises.

Community sponsorships

Despite the disruption faced this past year another key milestone was passed with cumulative sponsorships and donations reaching $4.75 million since the inception of the business.

The company provides grants to many Community Partners throughout the year and this is outlined in more detail in the Sponsorship Committee report. We proactively reached out to many of our Community Partners and were responsive to changes in their plans as they coped with the fall-out from COVID-19 which shut down sport seasons and closed many of the revenue raising opportunities that they would normally rely on. We see our Community Partners as valuable relationships to be nurtured for the long term.

Dividends

Recognising the impact of the ongoing decline in margins the Board has reduced the final dividend for the year taking full year dividends to 20 cents (25 cents 2020) fully franked. Dividends for the year have comprised of an interim dividend of 10 cents (10 cents 2020) and a final dividend of 10 cents per share (15 cents 2020), payable on 31 October 2021 to all shareholders as at 1 October 2021.

As always the Board strives to keep the balance right between all our stakeholders including shareholders while staying true to the spirit of Community Bank programme. Since the business started through to the current year, the cumulative returns to the community and shareholders are as follows:

Sponsorships and donations	$4,750,000	72%
Dividends paid/payable to shareholders	$1,429,000	22%
Retained earnings	$ 376,000	6%
Total	**$6,555,000**	**100%**

Board of Directors

The role and duties of the Board have significantly expanded to meet the opportunities and threats arising from the ongoing COVID-19 pandemic and our branch transformation. I want to acknowledge the dedication and time they provide in guiding this company for the benefit of all it's stakeholders, especially the considerable effort that has gone into branch renewal and reaching out to our Community Partners.

During the year there have been several changes to your company's Board. While we lost the services of Melissa Robertshaw who resigned as a Director to move interstate closer to family, we welcomed Melissa Hartmann who has considerably strengthened the digital platform experience on the Board.

It is fitting to specifically acknowledge the passing of James Hayne. James joined the Board in 2012 and served for over eight years, during that time the company distributed $2.7 million in community partner sponsorships and $827,000 in dividends to it's shareholders. James served on several committees but his most lasting legacy will be as a member of the 268 Waverley Road Committee which was instrumental in creating our new Community Bank Malvern East.

The Board comprises of:-

Stuart Martyn – Chairman
Philip Williamson – Deputy Chairman
Philip Carey – Company Secretary
Michael Arbon
Anne Parsonson
Melissa Hartmann (appointed 2 March 2021)
James Hayne (deceased 18 March 2021)
Melissa Robertshaw (resigned 4 January 2021)

I want to thank those who are currently supporting our Community Bank branch with their banking business and look forward to that support continuing in the future.

Stuart Martyn
Chairman

Manager's report

For year ending 30 June 2021

It's been a very busy year settling into our new branch with great benefits by way of providing the staff with a very modern work environment that has in turn assisted in attracting new customers through our doors.

This year we have also moved to a new modern uniform that is a perfect fit for our new branch. It has been pleasing to see Bendigo Bank partner with not-for-profit group Upparel who have turned 32 tons of old uniform into repurposed soft filling rather than going to landfill.

Our team has grown over the past 12 months with Ollie successfully completing his traineeship and accepting a full-time position with our branch. Ollie will also take on the role of Insurance Champion to ensure the whole team remains up to date on our insurance products and the responsibility of driving our results in this area.

Off the back of the success of the Traineeship program we chose to engage a new trainee, Bella who commenced July 2021 and will be with us for the next 12 months.

Our most recent appointment is Mirsada, who has joined the team to assist with our loan writing, which in turn will allow me to become more mobile and drive more business into the branch from our partnership groups whilst maintaining focus on existing customers.

Georgia has taken on the role of welfare ambassador ensuring we run programs offered by the bank to look after the teams health and well-being during these highly unusual and on occasion challenging times due to impact of COVID-19.

Taylor, who has now achieved his Discretional Lending Authority (DLA) continues to look after our existing lending book as well as provide coaching to the newer team members to ensure our whole team is providing a superior level of service to our customers. Christine has taken on the role of Wealth Champion this year to help us achieve target in this area that has proven challenging in the past few years.

The team have shown amazing resilience over the past year in their ability to continue to focus on our customers notwithstanding the threat of COVID-19 never really being far from our minds.

My focus during the past year after settling into the new branch has been to grow the business from our community partnerships with our long-standing football and cricket clubs being the main focus. The concerted effort in leveraging our Community Partners and deepening these relationships has seen us have a very successful year.

With record low interest rates on both loans and deposits it has been a difficult environment to hold our income levels, it is pleasing to see our monthly income increasing now off the back of the balance sheet growth. Pleasingly we have seen our lending book grow by net $4 million from $53 million to $57 million and we achieved 299% of our Home Loan target.

We also grew our deposit book grow by $10 million from $116 million to $126 million, which was up 232% against plan. One of the most pleasing outcomes during the year was the marked reduction in discharges with a record low seven in total. Only one of these an external refinance with the balance being from property sales or internal refinances. This was also the lowest level of discharges for our region.

Following our hard work we were fortunate enough to be selected to win the Regional Manager's Award at the 2019/20 Regional Awards, which was a great acknowledgement of our efforts.

Many of our planned functions and financial education series of events aimed at our younger customer base have had to be put on hold due to COVID-19, we look forward to hosting these as soon as we are able.

I am ever grateful to my team for their hard work over the past year as well as the Board for its ongoing support during this continued challenging COVID-19 period.

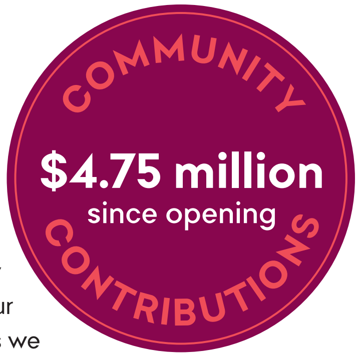
Ruth Hall
Senior Branch Manager

Sponsorship Committee report

For year ending 30 June 2021

The past year has seen us deliver more than $150,000 to our valued Community Partners and not-for-profit organisations. This year our Community Partners have continued to struggle with the impact of COVID-19 with constant disruptions to sporting events, cancellation of events, crowd limits, plus COVID-19 regulations all having a major impact on their effectiveness to hold events and continue their commitment to their organisations.

Whilst difficult, we have kept up communication with our Community Partners and have continued a strong commitment to the sponsorship program. Many events have been altered to facilitate changes to restrictions and this has resulted in smaller events being held but nevertheless still allowing us to continue our commitment to the community. We would like to congratulate our Community Partners for their ability to adapt, communicate their changing needs and continue their commitment to their organisations and our branch.



The quantum of support since the branch opened has now reached $4.75 million. Equally as significant although far more tangible is what our Community Partners perceive as our contribution to their community. Showcased below are some of the Community Partners we have supported this year.

Mecwacare

“Mecwacare’s annual Charity Golf Day is our signature fundraising event, which would not be possible without the support of Community Bank Malvern East.

This is the third consecutive year that Ruth and her team has sponsored the event. Their support assisted us to raise money for our Standing Strong campaign that aims to install purpose-built strength training equipment, designed specifically for the elderly, in every one of our 14 aged care homes – and importantly, help prevent falls.

As a not-for-profit organisation, we could not do what we do without the generosity and support of our community partners, such as Community Bank Malvern East.”

Collegians Football Club

“Community Bank Malvern East is a key partner of Collegians Football Club. Collegians Football Club is extremely appreciative of those who support the club and we fully appreciate that without them our success would not be possible. The Bank and Collegians have been in partnership since the bank was started many years ago.

The support from Community Bank Malvern East has allowed Collegians Football Club to add another women's team to the VAFA Womens competition, engage coaches medical staff, facilities and player support and safeguarding practices that remain the best amongst the amateur football code.

Everyone at Collegians Football Club look forward to continuing the partnership with Community Bank Malvern East long into the future.”

East Malvern Men's Shed

“A strong community spirit is always important, no more so for the more senior men of Malvern during the current COVID-19 experience.

Since the inception of the East Malvern Men's Shed in March 2016, our shed have received continued sponsorship and support from Community Bank Malvern East which has assisted in enabling our shed's membership to grow from a few to over 50.

Without this support our shed would not be able to offer the many and varied activities that provide an invaluable support mechanism to the older and growing numbers of men in our diverse community.”

Prahran Cricket Club

The Prahran Cricket Club celebrated a win in the Victorian Premier Cricket, Men's 1st X1 Premiership this past season. Its first in 37 years.

The Prahran Cricket club asked that the Directors, shareholders and customers of Community Bank Malvern East be openly thanked for their wonderful ongoing support and the cricket club sincerely hopes that all can feel pride in the recent success, as without it, who knows where the club might be now. A brilliant community partnership, is now considered to be an amazing legacy by the club.

The feedback from the club in terms of the value of the partnership with Community Bank Malvern East is testament to the very core of why Community Banks exist.

Below is the full list of community partners we have supported this year.

Sport
Caulfield Grammarians Football Club
Coatesville Bowls Club
Collegians Football Club
De La Salle Football Club
East Malvern Football Club
East Malvern Tooronga Cricket Club
Elsternwick Cricket Club
Prahran Assumption Football Club
Malvern Cricket Club
Prahran Junior Football Club
Glendearg Tennis Club
Powerhouse Amateur Football Club
Old Xaverians Amateur Football Club
Prahran Cricket Club
St Kevins Old Boys Football Club
Victorian Amateur Football Association
Old Melburnians Amateur Football Club
Victorian Sub District Cricket Assoc
Victorian Sub District Cricket Umpires Association

Community
Phoenix Park Neighbourhood House
East Malvern RSL Anglers Club
Toorak Park Users Group
East Malvern Combined Probus Club
East Malvern Food & Wine Festival #

Health
Mecwacare
Cystic Fibrosis Community Care
Check the Male #

Arts
Malvern Artists Society #
Golden Days Radio

Education
St Rochs Primary School

Community groups who successfully applied for grants but could not proceed due to COVID-19 restrictions.

Anne Parsonson
Chair Sponsorship & Marketing Committee

Directors' report

For the financial year ended 30 June 2021

Your directors submit the financial statements of the company for the financial year ended 30 June 2021.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Stuart Martyn

Director / Chairman
Chair of Investment Committee,
Member of Audit, Risk & Governance Committee, Member of Nominations & Remuneration Committee,
Occupation: Company Director
Stuart has substantial CFO and Board experience across IT, Payments and Retail Banking. Chartered Accountant, MBA (AGSM) and GAICD qualified he was an executive with a major retail bank for more than 8 years and a long term CFO for the Australian subsidiary of a large international IT company specialising in the financial services industry. A founding director of the East Malvern Community Bank he and his family have been Stonnington residents for over 30 years.
Interest in shares: 10,000 and 500 indirect

Philip Williamson

Director / Deputy Chairman
Chair of Nominations & Remuneration Committee,
Member of Investment Committee
Occupation: General Manager People & Culture, SCT Logistics.
Phil had a 23-year career in retail banking with Westpac holding all roles from junior through to running a high performing branch. In addition, Phil held Regional banking roles in the People and Culture space as well as periods of heading up the Recruitment function for Victoria and senior management roles in Learning & Development. Subsequently, Phil has held the most senior People and Culture positions in Mercedes-Benz Australia Pacific, the Movember Foundation (Global), ECMS Early Childhood Management and a senior management role in People & Culture with the City of Monash. Phil has been involved in sporting, school, and kindergarten committees for almost 50 years and has held the role of President on two occasions at the Prahran Cricket Club.
Interest in shares: 1,000

Philip Carey

Director / Company Secretary
Member of Sponsorship & Marketing Committee,
Member of Audit, Risk & Governance Committee
Occupation: Solicitor
A founding director of the East Malvern Community Bank and a current practising solicitor and practice principal for over 50 years. Former VAFA footballer Club Captain and President. Phil is particularly pleased to have played a part in the development of a bank which has been a contributor to the community for which it came into existence.
Interest in shares: 1,000 indirect

Directors (continued)

Michael Arbon

Director
Chair of Audit, Risk & Governance Committee, Member of Sponsorship & Marketing Committee
Occupation: Director PMO Major Infrastructure Delivery Water NSW, Aurecon
Michael joined the Board in 2008. He holds a Bachelor of Engineering Degree from Melbourne University and is a graduate of the Stanford Executive Program. Michael has worked in a variety of Infrastructure businesses during his career in Executive Management positions. Michael has lived in the City of Stonnington for over 30 years and is a life member of the Malvern Cricket Club.
Interest in shares: 4,500

Anne Parsonson

Director
Chair of Sponsorship & Marketing Committee
Occupation: Company Director
Anne joined the Board in 2012 and has over 25 years experience in the manufacturing and retail services sector including being a Director of Kidman Furniture Pty Ltd and Red Dust Furniture. Most recently she is involved in the accounting sector of her family business in Veneer Board manufacturing and distribution which operates in Victoria and Canberra. Anne has lived in Stonnington for more than 30 years and has been involved in local community groups, including Malvern Netball Club and East Malvern Tennis Club.
Interest in shares: 6,000 indirect

Melissa Hartmann

Director (Appointed 1 March 2021)
Member of Sponsorship & Marketing Committee, Member of Investment Committee.
Occupation: Management Consultant, McQueen & Co.
Melissa has substantial Strategy and Digital Transformation experience, working in Financial Services across 5 countries. She was an executive with a major insurer, where she worked for 16 years. She holds a Bachelor of Commerce from the University of Western Australia and a MBA from the Australian Graduate School of Management. Melissa joined in the board in March 2021.
Interest in shares: Nil

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

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

Company Secretary

The company secretary is Philip Carey. Philip was appointed to the position of secretary on 1 January 2020.

Principal Activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2021 $	Year ended 30 June 2020 $
163,603	11,756

Dividends

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

	Cents per share	Total amount $
Dividends Paid		
Fully franked dividend	10	39,430
Dividends Proposed		
Fully franked dividend	10	39,430
Total dividends paid and payable		**78,860**

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings	
	A	B
Stuart Martyn	11	11
Philip Williamson	11	11
Philip Carey	11	11
Michael Arbon	11	11
Anne Parsonson	11	10
Melissa Hartmann (appointed 2 March 2021)	4	4
James Hayne (deceased 18 March 2021)	7	7
Melissa Robertshaw (resigned 4 January 2021)	5	4

A - eligible to attend B - number attended

All directors participate in various committees the business of which are conducted informally on an as required basis with the Chair of each committee reporting to the monthly Board Meetings.

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes 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 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, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the board of directors at Malvern East, Victoria on 27 September 2021.

Stuart Martyn
Chairman

Auditor's independence declaration

24th September 2021

AUDITOR'S INDEPENDENCE DECLARATION

To: The Directors
East Malvern Community Financial Services Limited

As lead engagement auditor for the audit of the financial report of the East Malvern Community Financial Services Limited for the year ended 30 June 2021. I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

John S Creffield
Registered Company Auditor - 8821

Financial statements

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

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	913,317	1,066,874
Other revenue	9	202,086	(8,024)
Finance Income	10	1,930	2,926
Employee benefit expenses	11(d)	(456,443)	(429,042)
Charitable donations and sponsorships	11(c)	(150,919)	(272,515)
Occupancy and associated costs		(24,399)	(23,935)
Systems costs		(36,514)	(22,086)
Depreciation and amortisation expense	11(a)	(110,868)	(86,746)
Finance costs	11(b)	(8,785)	(3,065)
General administration expenses		(197,644)	(176,594)
Profit before income tax expense		**131,761**	**47,793**
Income tax (expense) credit	12(a)	31,842	(36,037)
Profit after income tax expense		**163,603**	**11,756**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:			
Earnings per share		¢	¢
Basic earnings per share	32	41.49	2.98

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	56,567	188,407
Trade and other receivables	14(a)	79,697	91,128
Total current assets		**136,264**	**279,535**
Non-current assets			
Trade and other receivables	14(b)	22,626	20,000
Property, plant and equipment	15(a)	430,726	41,034
Investments	16	523,744	503,333
Right-of-Use Assets	17(a)	224,758	297,606
Intangible assets	18(a)	13,269	13,269
Deferred tax asset	19(b)	151,114	34,076
Total non-current assets		**1,366,237**	**909,318**
Total assets		**1,502,501**	**1,188,853**
LIABILITIES			
Current liabilities			
Trade and other payables	20	32,896	116,697
Current Tax Liabilities	19(a)	3,270	35,920
Lease Liabilities	21(a)	55,205	70,120
Employee Benefits	22(a)	27,986	20,232
Borrowings	23(a)	61,704	-
Other	24	-	8,535
Total current liabilities		**181,061**	**251,504**
Non-current liabilities			
Employee Benefits	22(b)	27,631	22,183
Lease Liabilities	21(b)	201,815	228,795
Borrowings	23(b)	223,820	-
Deferred Tax Liabilities	19(c)	97,479	419
Total non-current liabilities		**550,745**	**251,397**
Total liabilities		**731,806**	**502,901**
Net assets		**770,695**	**685,952**
EQUITY			
Issued capital	25	394,300	394,300
Accumulated profits	26	376,395	291,652
Total equity		**770,695**	**685,952**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Accumulated profits $	Total equity $
Balance at 1 July 2019		394,300	378,471	772,771
Total comprehensive income for the year		-	11,756	11,756
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31(a)	-	(98,575)	(98,575)
Balance at 30 June 2020		**394,300**	**291,652**	**685,952**
Balance at 1 July 2020		394,300	291,652	685,952
Total comprehensive income for the year		-	163,603	163,603
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31(a)	-	(78,860)	(78,860)
Balance at 30 June 2021		**394,300**	**376,395**	**770,695**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		933,629	1,117,451
Payments to suppliers and employees		(890,705)	(1,020,644)
Dividends and other investment income		17,805	27,746
Interest received		1,930	2,926
Rent received		9,138	27,291
Interest paid		(22)	(3)
Lease payments (interest component)	11(b)	(8,763)	(3,062)
Income taxes received/(paid)		16,173	28,827
Net cash provided by operating activities		**79,185**	**180,532**
Cash flows from investing activities			
Proceeds from (Payment for) property, plant and equipment		(408,861)	(41,177)
Net (investment)/disposal of shares		84,063	35,520
Payments for intangible assets		(14,476)	(14,476)
(Investment)/Redemption of term deposits		-	-
(Investment)/Repayment of loans		-	10,000
Net cash used in investing activities		**(339,274)**	**(10,133)**
Cash Flows from Financing Activities			
Lease payments (principal component)		(62,695)	(88,845)
Proceeds from Borrowings		285,524	-
Dividends Paid		(94,580)	(91,615)
Net Cash Used in financing Activities		**128,249**	**(180,460)**
Net increase in cash held		**(131,840)**	**(10,061)**
Cash and cash equivalents at the beginning of the financial year		188,407	198,468
Cash and cash equivalents at the end of the financial year	**13**	**56,567**	**188,407**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2021

Note 1. Reporting Entity

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

Registered Office	**Principal Place of Business**
268 Waverley Road	268 Waverley Road
Malvern East VIC 3145	Malvern East VIC 3145

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 30.

Note 2. Basis of preparation and statement of compliance

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 issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 27 September 2021.

Note 3. Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

Note 4. Summary of significant accounting policies (continued)

a) 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 Goods and Services Tax (GST).

Revenue Calculation

The franchise agreement provides that three forms of revenue may be earned by the company - margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

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

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- minus any costs of funds i.e. interest applied 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 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 that 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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 the time. For other products and services, there is no restriction on the change Bendigo Bank may take.

b) Other Revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is possible that the economic benefits will flow to the company and can be reliably measured.

Note 4. Summary of significant accounting policies (continued)

b) Other Revenue (continued)

Revenue	Revenue Recognition Policy
Discretionary financial contributions (also "Market Development Fund "of "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Cash flow boost	Cash flow boost income is recognised when the right to receive the payment is established (e.g. monthly or quarterly in the activity statement).
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as receivable and carried at its recoverable amount.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

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

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

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

Cash flow boost

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

The amounts received are in relation to the 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.

c) Economic dependency - Bendigo Bank

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

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

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

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

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

Note 4. Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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

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

d) Employee benefits

Short-term 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.

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 wages, salaries and sick leave 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.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

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 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 estimate of future cash inflows.

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

Note 4. Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax (continued)

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

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

g) Property, plant and equipment

Recognition and measurement

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss.

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

Asset class	Method	Useful life
Plant and equipment	Straight-line and diminishing value	2 to 20 years

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

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

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

The franchise fees paid by the company are amortised over their useful life and assessed for impariment 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
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments

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

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 compnay becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortisied cost using the effective interest method.

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

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

j) Impairment

Non-derivative financial assets

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

As a lessee

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

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

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in the 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 commencment 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 significat event or significant change in circumstances within its control.

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Short-term leases and leases of low-value assets

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

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

Note 5. Significant accounting judgements, estimates and assumptions

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

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

a) Judgements

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

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

a) Judgements (continued)

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;

Note 6. Financial risk management

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

Risk management is carried out directly by the board of directors.

a) Credit risk

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

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

b) Liquidity risk

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

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

Note 6. Financial risk management (continued)

b) Liquidity risk (continued)

Exposure to liquidity risk (continued)

30 June 2021		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	257,020	55,205	201,815	-
	257,020	**55,205**	**201,815**	**-**

30 June 2020		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	298,915	70,120	228,795	-
Trade and other payables	1,219	1,219	-	-
	300,134	**71,339**	**228,795**	**-**

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets are held with wendigo 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.

The company held cash and cash equivalents of $56,567 at 30 June 2021 (2020: $188,407). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard and Poor's credit ratings.

Note 7. Capital Management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the potential 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:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive income.

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

Note 8. Revenue from contracts with customers

	2021 $	2020 $
- Margin income	795,876	941,647
- Fee income	53,668	58,356
- Commission income	63,773	64,605
- Other income	-	2,266
	913,317	**1,066,874**

Note 9. Other revenue

	2021 $	2020 $
- Dividend and distribution income	25,342	40,171
- Market development fund income	-	10,000
- Cash flow boost	27,246	45,410
- Rental income	27,047	27,291
- Profit (loss) on sale of assets	8,798	(11,420)
- Reimbursements	17,976	-
- Change in market value adjustment	95,677	(119,587)
- Other income	-	111
	202,086	**(8,024)**

Note 10. Finance Income

	2021 $	2020 $
- Interest income	**1,930**	**2,926**

Note 11. Expenses

	2021 $	2020 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Plant and equipment	**16,542**	**143**
Depreciation of right-of-use assets:		
- Leased land and buildings	**79,851**	**83,695**
Amortisation of intangible assets:		
- Franchise fee	**14,475**	**2,908**
Total depreciation and amortisation expense	**110,868**	**86,746**

Note 11. Expenses (continued)

	Note	2021 $	2020 $
b) Finance costs			
Finance costs:			
- Borrowing costs paid		22	3
- Lease interest expense	21(c)	8,763	3,062
		8,785	**3,065**

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

c) Charitable donations and sponsorships

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

	2021 $	2020 $
Direct sponsorship	**150,919**	**272,515**

	2021 $	2020 $
d) Employee benefit expenses		
Wages and salaries	390,800	371,822
Non-cash benefits	9,612	(5,358)
Contributions to defined contribution plans	32,182	32,734
Expenses related to long service leave	7,629	12,925
Other expenses	16,220	16,919
	456,443	**429,042**

e) Recognition exemption

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

	2021 $	2020 $
Expenses relating to low-value leases	**20,037**	**7,224**

Note 12. Income tax expense

	2021 $	2020 $
a) Amounts recognised in profit or loss		
Current tax (expense) credit		
- Current tax	5,230	(10,511)
- Movement in deferred tax	(37,072)	(25,526)
	(31,842)	**(36,037)**

Note 12. Income tax expense (continued)

	2021 $	2020 $
b) Prima facie income tax reconciliation		
Operating profit (loss) before tax	131,761	47,793
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	34,258	13,143
Add tax effect of:		
- Non-deductable expenses	8,044	-
- Non-assessable income	(11,146)	9,347
- Temporary differences	(25,598)	(33,001)
- Permanent differences	(328)	1,416
- Movement in deferred tax	(37,072)	(26,942)
	(31,842)	**(36,037)**

Note 13. Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	56,567	188,407
	56,567	**188,407**

Note 14. Trade and other receivables

	2021 $	2020 $
a) Current assets		
Trade receivables	66,219	76,470
Prepayments	13,478	-
Other receivables and accruals	-	14,658
	79,697	**91,128**
b) Non-current assets		
Other receivables and accruals	22,626	20,000
	102,323	**111,128**

Note 15. Property, plant and equipment

	2021 $	2020 $
a) Carrying amounts		
Plant and Equipment		
At cost	447,411	41,176
Less: accumulated depreciation and impairment	(16,685)	(142)
	430,726	**41,034**
Total written down amount	**430,726**	**41,034**

Note 15. Property, plant and equipment (continued)

	2021 $	2020 $
b) Reconciliation of carrying amounts:		
Plant and Equipment		
Carrying amount at beginning	41,034	-
Additions	406,377	41,176
Depreciation	(16,685)	(142)
Carrying amount at end	**430,726**	**41,034**
Total written down amount	**430,726**	**41,034**

Following the adoption of AASB 16 in the previous financial year, the company now groups its leased assets previously recognised in 'property, plant and equipment' in 'right-of-use assets'.

c) Changes in estimates

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

There were no changes in estimates for the current reporting period.

Note 16. Investments

	2021 $	2020 $
Sponsorship Fund (ASX Listed Securities) at cost	421,297	496,563
Market value adjustment	102,448	6,770
	523,744	**503,333**

Note 17. Right-of-use assets

	2021 $	2020 $
a) Carrying amounts		
Leased land and buildings		
At Cost	269,708	716,079
Less: accumulated depreciation	(44,950)	(418,473)
Total written down amount	**224,758**	**297,606**
b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying at the beginning	297,606	-
Initial recognition on transition	-	446,371
Accumulated depreciation on adoption	-	(334,777)
Depreciation	(72,848)	(83,696)
Commitment - 268 Waverley Road, Malvern East	-	269,708
Carrying amount at end	**224,758**	**297,606**
Total written down amount	**224,758**	**297,606**

Note 18. Intangible assets

	2021 $	2020 $
a) Carrying amount		
Franchise Renewal Fee		
At cost	28,950	14,475
Less: accumulated amortisation	(15,681)	(1,206)
	13,269	**13,269**
Total written down amount	**13,269**	**13,269**

b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	13,269	1,701
Addition	14,475	14,475
Amortisation	(14,475)	(2,907)
Carrying amount at end	**13,269**	**13,269**
Total written down amount	**13,269**	**13,269**

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

There were no changes in estimates for the current reporting period.

Note 19. Tax assets and liabilities

	2021 $	2020 $
a) Current tax		
Income tax payable/(refundable)	**3,270**	**35,920**
b) Deferred tax assets		
Deferred Tax Assets		
- expense accruals	-	-
- employee provisions	14,460	-
- lease liability	72,258	-
- carry forward tax losses	63,713	34,076
- carry forward capital losses	682	-
Total deferred tax assets	**151,113**	**34,076**
c) Deferred tax liabilities		
Deferred tax liabilities		
- income accruals	3,505	-
- right-of-use assets	58,437	-
- property, plant & equipment	8,901	-
- market value of investments	26,636	419
Total deferred tax liabilities	**97,479**	**419**

Note 20. Trade creditors and other payables

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

	2021 $	2020 $
Current liabilities		
Trade creditors	-	6,795
Other creditors and accruals	32,896	109,902
	32,896	**116,697**

Note 21. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition for 268 Waverley Road, Malvern East was 3.64%.

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

The company's lease portfolio includes:

- 268 Waverley Road, Malvern East
  The lease agreement is a non-cancellable lease with an initial term of five years, commencing on the 1 September 2020.

	2021 $	2020 $
a) Current lease liabilities		
Property lease liabilities - 300 Waverley Road, Malvern East	-	28,000
Unexpired interest	-	(236)
Property lease liabilities - 268 Waverley Road, Malvern East	63,650	52,428
Unexpired interest	(8,445)	(10,072)
	55,205	**70,120**
b) Non-current lease liabilities		
Property lease liabilities - 268 Waverley Road, Malvern East	214,266	248,145
Unexpired interest	(12,451)	(19,350)
	201,815	**228,795**
c) Reconciliation of lease liabilities		
Balance at the beginning	298,915	-
Initial recognition on AASB 16 transition		92,491
Additional lease liabilities recognised	20,800	295,269
Lease interest expense	8,763	3,062
Lease payments - total cash outflow	-71,458	-91,907
	257,020	**298,915**
d) Maturity analysis		
- Not later than 12 months	63,650	80,428
- Between 12 months and 5 years	214,266	248,145
Total undiscounted lease payments	**277,916**	**328,573**
Unexpired interest	(20,896)	(29,658)
Present value of lease liabilities	**257,020**	**298,915**

Note 22. Employee Benefits

	2021 $	2020 $
a) Current liabilities		
Provision for annual leave	27,986	20,232
	27,986	**20,232**
b) Non-current liabilities		
Provision for long service leave	27,631	22,183
	27,631	**22,183**

c) Key judgement and assumptions

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.

Note 23. Borrowings

	2021 $	2020 $
a) Current liabilities		
Bendigo Mortgage Loan Account	61,704	-
	61,704	**-**
b) Non-current liabilities		
Bendigo Mortgage Loan Account	223,820	-
	223,820	**-**

Note 24. Other

	2021 $	2020 $
Rental Bond	-	6,250
Prepaid Income (Rent)	-	2,285
	-	**8,535**

Note 25. Issued Capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	**394,300**	**394,300**	**394,300**	**394,300**

Note 25. Issued Capital (continued)

b) Rights attached to issued capital

Ordinary Shares

Voting rights

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

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

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 180. As at the date of this report, the company had 197 shareholders.

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

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

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

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

Note 26. Accumulated profits

	Note	2021 $	2020 $
Balance at the beginning of the financial year		291,652	391,590
Adjustment to Prior Year Tax Provision		-	(8,103)
Adjustment for transition to AASB 16		-	(5,016)
Net profit from ordinary activities after income tax		163,603	11,756
Dividends paid or provided for	31(a)	(78,860)	(98,575)
Balance at the end of the financial year		**376,395**	**291,652**

Note 27. Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	163,603	11,756
Adjustments for:		
- depreciation	96,393	83,838
- amortisation	14,476	2,907
- rent relief concession	(15,624)	-
- market value adjustment	(95,677)	119,587
- (profit) loss on disposal of asset	(8,798)	11,420
Changes in assets and liabilities:		
- (Increase)/decrease in receivables	(4,405)	(4,944)
- Increase/(decrease) in trade and other payables	(68,141)	(99,671)
- Increase/(decrease) in employee benefits	13,202	(7,850)
- Increase/(decrease) in provisions and other liabilities	(15,844)	63,488
Net cash flows provided by operating activities	**79,185**	**180,532**

Note 28. Financial Instruments

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

	Note	2021 $	2020 $
Financial assets			
Trade and other receivables	14	102,323	111,128
Cash and cash equivalents	13	56,567	188,407
		158,890	**299,535**
Financial liabilities			
Trade and other payables	20	-	6,795
Lease liabilities	21	257,020	298,915
		257,020	**305,710**

Notes to the financial statements (continued)

Note 29. Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	3,750	5,600
	3,750	**5,600**

Note 30. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Stuart Martyn
Philip Williamson
Philip Carey
Michael Arbon
Anne Parsonson
Melissa Hartmann (appointed 2 March 2021)
James Hayne (deceased 18 March 2021)
Melissa Robertshaw (resigned 4 January 2021)

b) Directors' remuneration

The number of Directors who were paid, or due to be paid remuneration (including brokerage, commissions, bonuses, retirement payments and salaries), directly or indirectly from the company or any related corporation, as shown in the following bands, were: 6 (2020: 6)

	2021 $	2020 $
The aggregate remuneration of all Directors was:	77,500	80,000

c) Related party transactions

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

	2021 $	2020 $
Frontier Assets Pty Ltd (R Sykes): Accounting fee	-	6,153

Note 31. Dividends provided for or paid

a) Dividends provided for or paid during the year

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

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Dividends Paid				
Fully franked dividend	0.10	39,430	0.10	39,430
Dividends Proposed				
Fully franked dividend	0.10	39,430	0.15	59,145
Total dividends provided for and paid during the financial year		**78,860**		**98,575**

Note 31. Dividends provided for or paid (continued)

b) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	281,869	341,917
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(16,173)	16,173
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	-	(45,000)
- Franking credits from the receipt of franked distributions	7,537	11,026
- Franking debits from the payment of franked distributions	(34,634)	(42,247)
Franking account balance at the end of the financial year	**238,599**	**281,869**

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

Note 32. Earnings per share

Based and diluted earnings per share

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

	2021 $	2020 $
Profit attributable to the ordinary shareholders	163,603	11,756
	Number	**Number**
Weighted average number of ordinary shares	394,300	394,300
	Cents	**Cents**
Basic and diluted earnings per share	41.49	2.98

Note 33. Commitments

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

Note 34. Contingencies

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

Note 35. Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of East Malvern Community Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Stuart Martyn
Chairman

Signed on the 27 September 2021

Independent audit report

TO THE MEMBERS OF THE EAST MALVERN COMMUNITY FINANCIAL SERVICES LIMITED.

SCOPE

We have audited the financial report being the Director's Declaration, Profit & Loss Statement, Balance Sheet and Notes to the Financial Statements of East Malvern Community Financial Services Limited for the period 1st July 2020 to the 30th June 2021. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of East Malvern Community Financial Services Limited is in accordance with:

(a) the Corporations Law including:

(i) giving a true and fair view of the company's financial position as at 30th June 2021 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements

John Creffield
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John Creffield
Principal

24th September 2021

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Bendigo Bank