

Annual Report 2021

Mandurah Community
Financial Services Limited

Community Bank
Halls Head

ABN 56 098 081 308



Contents

Chair's Report	2
Manager's Report	6
BEN Report	8
Community Investment	9
Director's Report	12
Auditor's Independence Declaration	17
Financial Statements	18
Notes to the Financial Statements	22
Director's Declaration	46
Independent Audit Report	47

Chair of the Board message

5 October 2021

Dear Shareholder

As we continue to live through this COVID-19 crisis, we here in Mandurah and Western Australia have in the main been sheltered from its full effect, while many of you, our shareholders who live in other parts of the country have been through various and extended periods of lockdowns. These lockdowns and continued Government policy of travel has meant many of us have not been able to catch up with families and friends living either interstate, overseas or even intrastate. The worst effect of this crisis, that lack of ability to see families and friends is by far the most difficult to deal with as I know personally. So, to all of you, our shareholders and on behalf of the Board and staff we trust you are staying safe and well and we look forward to that time, hopefully sooner rather than later, that we can all get back to living a more normal life. To you all, we trust that you and your families and the communities you live in stay safe and well.

Over the past year there have been changes both at Board and staff level. In relation to the Board, we saw the resignation of Sharon Beetham. I would like to acknowledge and thank her for her service to the Board. I would also like to thank the rest of the Board, Andrew Brown, Adrian Pitsikas, Doug Savarese, Tim Williams and Brett Hill for their hard work, support, and commitment over the past year.

We have had changes with regard to the Branch Manager role. As noted in last two year's reports we had appointed acting managers as our permanent Manager Kelly Litton was on maternity leave until January this year. As advised in last year's report the Board had appointed Sarah Lanoue (now Chambers) to the Acting Manager's role. With the expected return of Kelly in December last year the Board made the decision to retain Sarah within the branch in the new role of Business Development Manager. Kelly did return to the Branch manager in January. However, for personal and lifestyle reasons she made the decision to resign from her role. I would like to acknowledge her long service to the branch and in stepping up to the management of the branch at time when it was needed.

With Kelly's resignation, Sarah took on the dual roles whilst the Board undertook the process to find a new permanent Branch Manager, which we did when we appointed Gary Mitchell to the role. Gary had previously spent a short period as Acting Branch Manager back in the second half of 2019. Gary commenced in the role in late June, just as Sarah commenced a period of maternity leave. So, welcome back Gary and congratulations Sarah on the birth of your daughter.

I would wish to acknowledge Jenny Hammington, our Board's Community Partnership Manager, the person whom many of our partners will have met and dealt with over the past year, particularly once the previous WA COVID-19 restrictions were lifted. Jenny is responsible for maintaining our relationships with existing partnerships and developing new partnership opportunities throughout the Mandurah Community, which has been a challenge over the past year and half. So, thanks Jenny, your efforts on our behalf greatly appreciated.

Over the 2020/21 year we had a substantial net growth in the amount of business deemed domiciled at our Branch, up from some \$167.8M at 30th June 2020 to over \$203.9M at 30th June 2021. The significant reason for that was down to the efforts of Sarah Chambers and her team of that period. On behalf of Board a massive thank you to Sarah and all the Staff. However, while that sees our book at historic highs, there has been a downside, and that was the falling interest rates and as a result a decline in the amount of income generated on those funds. The effect of this decline in interest rates and in particular on certain deposit funds has been that our monthly average earnings per million per month in June 2021 was down by over 28% to the compared to the average rate for the nine months to the end June 2020. If you look back to the earnings rates, we used to achieve pre the 2008 GFC, then that figure is down by over 50%.

Based on comments from various financial commentators and those of the Reserve Bank Governor, it appears that low interest rates will be with us for several years to come. Based on the trends the Board is seeing, it appears the earnings rate may have bottomed out.

In this year's audited result before tax, we recorded an operating profit of \$1,038, which compares to an operating profit of \$9,485 for 2019/20. It should be noted that these results are after making significant contributions with respect to Donations and Sponsorships of \$99,050 this year and \$116,165 last year.

The overall financial position of the Company remains strong, with cash reserves of over \$887K and a direct shareholding in Bendigo & Adelaide Bank Ltd of \$212K as at the 30th June, and shareholder equity, your equity, at \$1.113M, equivalent to \$1.87 per share.

As Shareholders, you have also received a fully franked dividend of 7 cents per share last November. To the date of this report, that now means the company has now paid a total \$722,305 in cash dividends, together with associated imputation credits of \$298,293. This represents cash dividend payments of \$1.22 cents and imputation credits of 50 cents per issued share, and effective return of \$1.72 per share.

When you add the direct cash contribution to our Community and the returns to you as shareholders over the life of our Company, to the 30th June 2021 this totals some \$2.28M, a significant figure.

Mandurah Community Financial Services Limited is a Franchise Bank within the Bendigo and Adelaide Bank network. Our point of difference is that of a Community Bank investing into the local community. We have continued to make contributions during these challenging times to various community groups and organisations.

As such, we made contributions to;

- Allambee Counselling
- Australian Multicultural Philippine Society
- Bridge Builders
- City of Mandurah – Memorial Bench Seat
- FOMPAC – Friends of the Mandurah Performing Arts Centre
- Halls Head Country Croquet Club
- Homestead for Youth

- Lions Club of Mandurah
- John Tonkin College, Coodanup College, Mandurah Primary School, Falcon Primary School, Halls Head Primary School, Hall Head College, Ocean Road Primary School and South Halls Head Primary School in relation to student awards and other activities
- Make Place, which provides assistance with a collaborative workspace and youth on leadership programmes
- Mandurah Men's Shed
- Mandurah Mustangs
- Mandurah Music Club
- Mandurah Offshore Sailing & Fishing Club
- Mandurah Performing Arts Centre
- Mandurah Plein Air Artists
- Mandurah Volleyball association
- North Mandurah Football & Netball Club
- Peel Community Kitchen
- Peel Men's Shed.
- Peel Thunder Football Club
- Probus Club of Dawesville
- South Mandurah Cricket Club
- Winjan Aboriginal Corporation
- Zonta, as well numerous others.

Over our 19-year journey, we have contributed directly up to 30th June 2021, some \$1.56M directly to our community.

As Community Banking moves into its third decade, please remember the one thing that has not changed is our ongoing commitment to friendly, personalised banking services.

As a shareholder, thank you for your ongoing support. I continue to put the challenge to you to take the time to help us grow your business. If every single one of our shareholders, together with all those associated with our various community partners, referred a friend, family member or work colleagues to the Community Bank Halls Head branch – imagine the growth to our business and to your investment. Ultimately, the benefit is to your community with a greater pool of funds to distribute to community groups and projects, particularly as we move through and out of this COVID-19 crisis.

Finally, a massive thanks to our staff Sarah, Gary, Adam, Christina, Connor, Danique, Jade, Kara, and Renae, as it is your efforts in helping our customers with their banking and financial needs which makes all the difference and in these unique times that is especially important.

So, if you, your family, friends or work colleagues need any banking related services call, or come into the Community Bank Halls Head branch. Together we can make a Big Difference in our community here in Mandurah.

Continue to Stay safe and well and here is looking forward to the country and world returning to normal so we can once again catchup with family and friends and lockdowns can become distant memories.

Ian Ilsley
MCFSL Chairman

Branch Manager message

5 October 2021

The 2020/21 financial year has proven to be a successful year for the Community Bank Halls Head, ending the year with a record book growth.

As a branch, we have continued to execute our plan of becoming Mandurah's bank of choice and are inspired by Bendigo Bank's vision on a daily basis. With an unforeseen historical pandemic affecting the world, we have had to adapt to unusual ways of living. This included several changes within the branch to keep our staff and customers safe. But the one thing that we did not change, is the amazing customer service that we provide to the community. This continued to be provided, above and beyond expectations as we remained open through the pandemic as an essential service to our customers.

This year we have connected with our wider community through various partnerships. Jenny Hammington, our Community Development Officer, has been instrumental in many of these partnerships, bringing the community and the bank closer together. The branch staff have been involved in several events throughout the year as well feeding into the prosperity of our community.

Community Bank Halls Head currently employs a team of nine staff members. We have had a number of changes in the past 12 months within the team that have enabled us to grow and succeed as we have.

We said goodbye to some familiar faces, with Charlene Dawson and Kirsty Kirton seeking a different role within Bendigo Bank corporate and Sade Mason moving on to a different industry. We thank them for their contributions within the Branch and wish them well for the future.

Kelly Litton returned from Maternity leave in January 2021 as Branch Manager, and the Board created a new role for myself to stay on with the team as Business Development Manager. Unfortunately for personal reasons, Kelly decided to resign as Branch Manager.

For personal reasons myself, I agreed to resume the Branch Manager role in the interim until a suitable replacement was found, as I had just announced my own pregnancy and intentions to go on Maternity leave later in the year. We were fortunate enough to welcome back a familiar face in June 2021 - Gary Mitchell to the Branch Manager role permanently – a long standing Bendigo Bank employee who had done some relief work with us previously.

I intend to return to the Branch in 2022 as Business Development Manager where my focus will be on growing the lending book, developing new client and business relationships and contributing to the community partnerships.

We welcomed Adam Clarke to our team as Customer Relationship Officer, who joined us from Secret Harbour Community Bank, and he does majority of our personal lending and is now stepping into home lending as well.

We also welcomed two new to banking staff – Kara Spowart and Connor Turrington. Both have joined us from previous sales and service industries and have been a dynamic addition to our team.

We have also seen Danique Farrell step into a Customer Relationship Officer role, learning personal lending and continuing her amazing community involvement.

This brings me to wanting to thank the full team at Community Bank Halls Head. We are grateful for your wealth of knowledge, excellent customer service and for always going that extra mile with our customers and community groups. You are the difference between us and other banks – attentiveness, community orientated and the focus on customer service will always see us charge ahead of the competition.

I would like to take this time to thank our Shareholders and Directors past and present. Keep on believing in the change we are making, for the better of our community and have faith that our mission has never changed over the 19 years we have been open – to feed into the community's prosperity not off it.

We have ended this financial year with contributing a total of \$1,560,906 into our community – the Mandurah Region over the last 19 years, which is an amazing feat.

Lastly, to our wonderful customers, you are the heart of our organisation. Without your trust and business, we cannot continue to be successful. I thank each and every one of you and ask that you continue to spread the word about the better big bank.

Sarah Chambers
Branch Manager/Business Development Manager

CB Annual Report 2021

BEN message

26 August 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

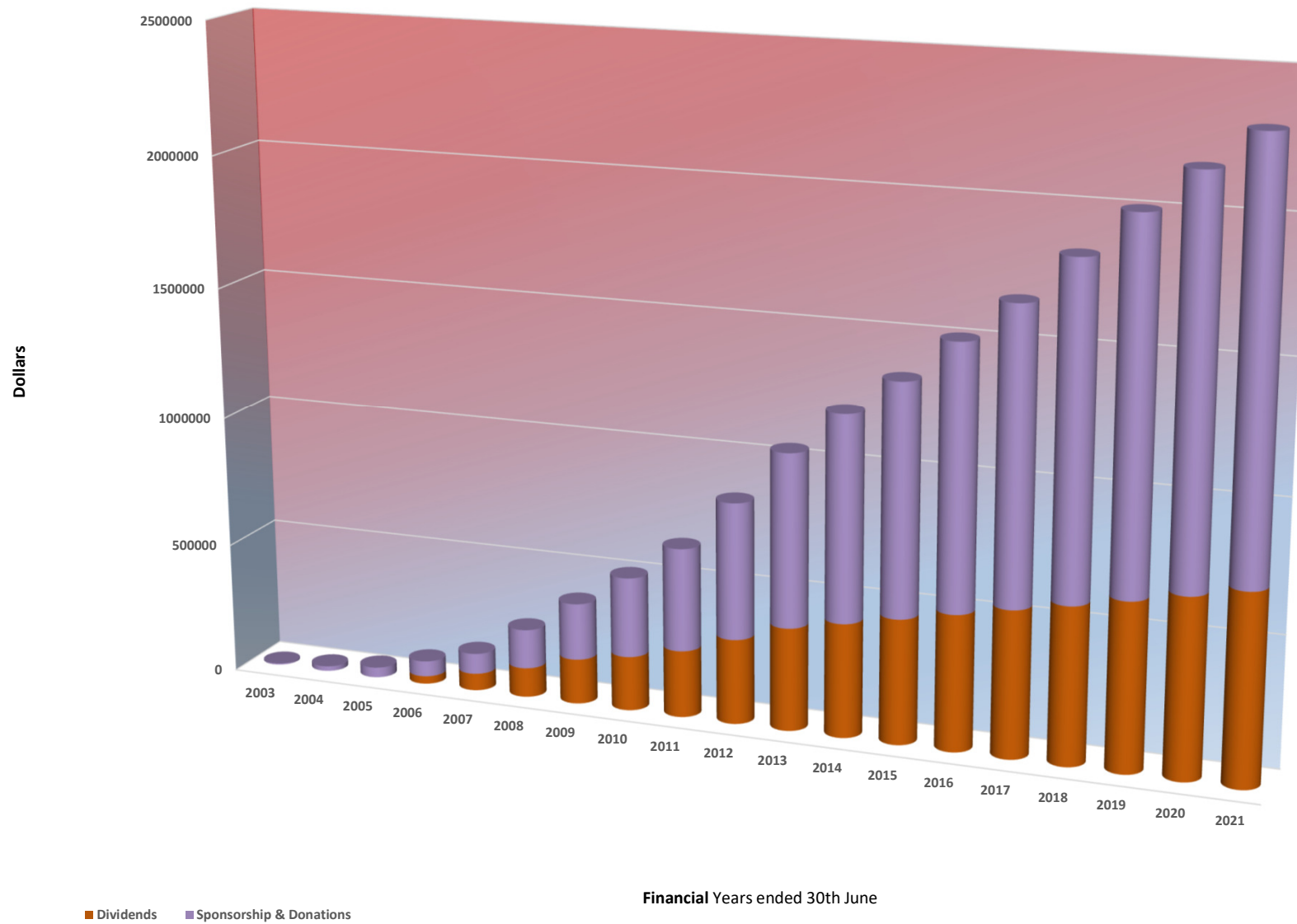
Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



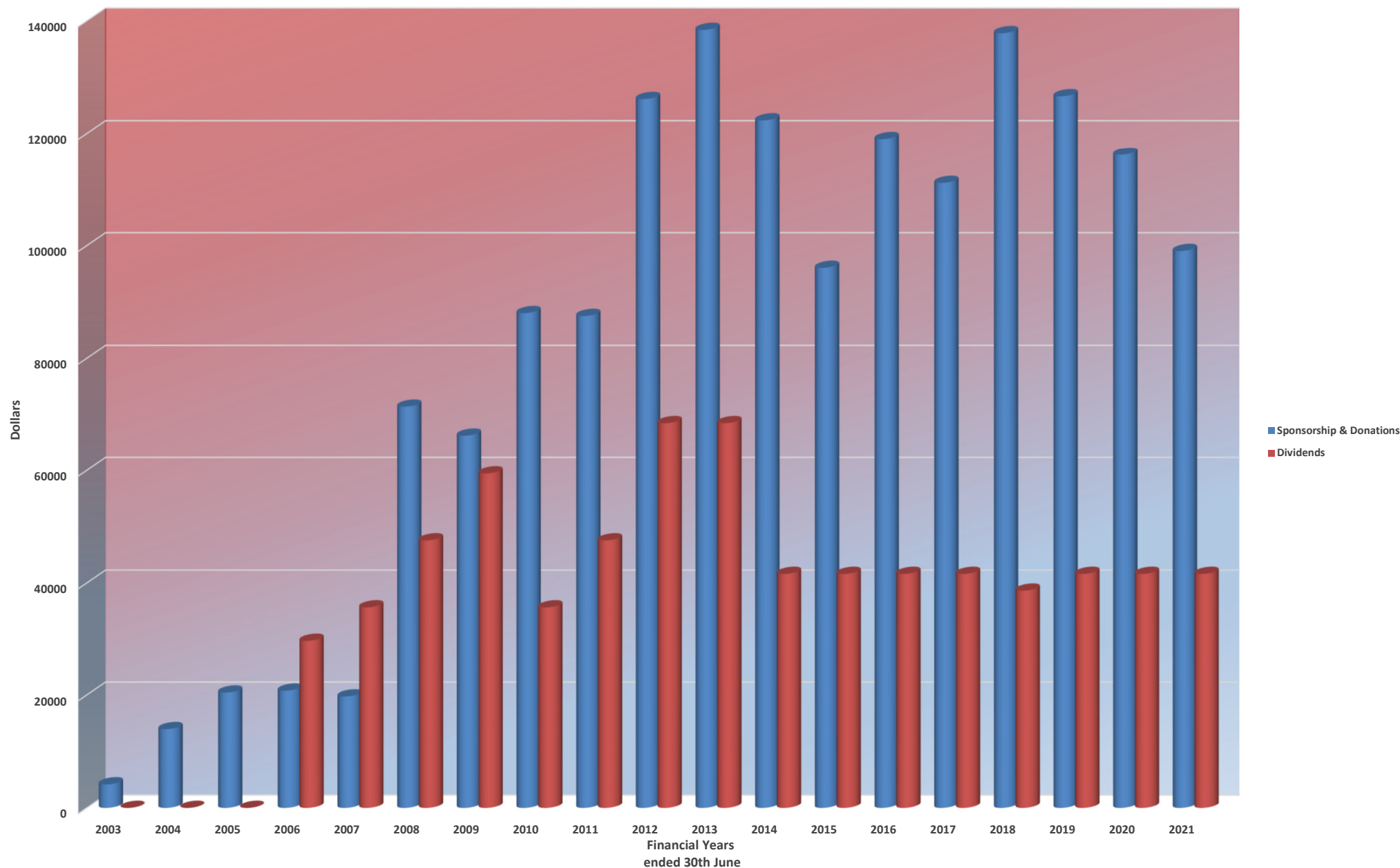
Collin Brady

Head of Community Development

Mandurah Community Financial Services Ltd
Accumulated Community Contributions and Dividends to Shareholders
2003 to 2021



Mandurah Community Financial Services Ltd
Annual Community Contributions and Dividends to Shareholders
2003 to 2021



Mandurah

Community Financial Services Limited

ABN: 56 098 081 308

Financial Report

For the year ended

30 June 2021

Mandurah Community Financial Services Limited

Directors' Report

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

Directors

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

Ian James Anson Ilsley

Non-executive director

Occupation: Certified Practicing Accountant

Qualifications, experience and expertise: Ian is a director of Ward and Ilsley Partners Pty Ltd, Certified Practicing Accountants. He is currently a member of the School Council of the Frederick Irwin Anglican School. His former roles include: Treasurer of Frederick Irwin Anglican School Parents & Friends Association for 13 years, Treasurer of Mandurah Country Club from 2001 to 2018, board member of the Mandurah Performing Arts Centre from 2008 to 2014, a community representative on the City of Mandurah's Audit & Risk Committee from 2011 to 2019 and a former board member on the Board of John Tonkin College, Mandurah.

Special responsibilities: Chair of the Board, Treasurer, HR Committee, Development Committee

Interest in shares: 3,500 ordinary shares

Andrew James Brown

Non-executive director

Occupation: Company Director

Qualifications, experience and expertise: Andrew was the owner of the Halls Head Bakers Delight Franchise (10 years) and has Certificate 3 in Small Business Management. He was the business owner of A & J Fabricators which involved 20 years contracting to mining, oil and gas industries. Andrew is a past director of the small business Centre Peel and previous board member of HHCC & Career Enterprise Centre in Mandurah. He also holds a Certificate IV in Workplace Training and Assessment.

Special responsibilities: Chair of Finance Committee, Development Committee

Interest in shares: 500 ordinary shares

Douglas Philip James Savarese

Non-executive director

Occupation: Directors - Quadbogey Pty Ltd

Qualifications, experience and expertise: Douglas' experience includes being a Area Manager for Counterpoint Marketing, Assistant Manager at Coles Myer and Newmart Supermarket and Sales/Territory Manager for Kellogg's Australia. Douglas currently owns a private company, Quadbogey Pty Ltd, which has contracts with Australia Post for parcel delivery service. Douglas is also a past Captain of the Mandurah Country Club.

Special responsibilities: Marketing Committee

Interest in shares: 2,500 ordinary shares

Adrian Paul Pitsikas

Non-executive director

Occupation: Director of Turf Production company

Qualifications, experience and expertise: Adrian and his brother own and operate Greenacres Turf Group the largest turf producer in Western Australia and have done so for the past 27 years. Adrian is the former Chair of Turf Australia (the industry peak body for the whole of Australia). Adrian holds Diplomas in Horticulture (Turf), Irrigation and Business Management.

Special responsibilities: Finance Committee, Human Resources Committee, Development Committees

Interest in shares: nil share interest held

Mandurah Community Financial Services Limited

Directors' Report

Directors (*continued*)

Timothy David Williams

Non-executive director

Occupation: CEO

Qualifications, experience and expertise: Timothy has extensive experience in community development and engagement. He holds a Bachelor of Arts with double majors in community development and sociology. He has significant experience in local government, high level cross-cultural engagement skills, facilitation skills and strategic development skills. Timothy also has a strong history in working alongside the Aboriginal community.

Special responsibilities: Marketing Committee

Interest in shares: nil share interest held

Horace Brett Hill

Non-executive director

Occupation: Retired, Volunteer in Community engagement

Qualifications, experience and expertise: Horace retired in May 2017. He is actively involved with Mandurah local community with Winjai Aboriginal Corporation, and delivers cultural awareness sessions to schools and colleges. Horace is Chairperson for Wardandi Miya-k Kaadadjiny Aboriginal Corporation (Bunbury) and a director for Winjan Aboriginal Corporation. He is also involved in children's health and wellbeing projects in Armadale.

Special responsibilities: Marketing Committee

Interest in shares: nil share interest held

Sharon Leanne Beetham

Non-executive director (resigned 18 March 2021)

Occupation: Administration Officer

Qualifications, experience and expertise: Sharon has 25 years of experience in banking and finance, including her work for Bendigo and Adelaide Bank Ltd. She specialises in community engagement, with a passion for anything that supports Mandurah business and community groups. She is also a member of Singleton Residents Association and has broad marketing skills including social media and print and campaign creation and delivery.

Special responsibilities: Marketing Committee

Interest in shares: 500 ordinary shares

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

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

Company Secretary

The company secretary is Andrew James Brown. Andrew was appointed to the position of secretary on 7 June 2019.

Principal activity

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

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

Mandurah Community Financial Services Limited

Directors' Report

Operating results

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

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
10,769	23,804

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Ian James Anson Ilsley	3,500	-	3,500
Andrew James Brown	500	-	500
Douglas Philip James Savarese	500	2,000	2,500
Adrian Paul Pitsikas	-	-	-
Timothy David Williams	-	-	-
Horace Brett Hill	-	-	-
Sharon Leanne Beetham	500	-	500

Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	7.00	41,614

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 company's financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Mandurah Community Financial Services Limited

Directors' Report

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 31 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.

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 financial year were:

E - eligible to attend
A - number attended

Ian James Anson Ilsley
 Andrew James Brown
 Douglas Philip James Savarese
 Adrian Paul Pitsikas
 Timothy David Williams
 Horace Brett Hill
 Sharon Leanne Beetham

Board Meetings		Committee Meetings			
		Sponsorship & Marketing		Audit & Risk Committee	
<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
11	11	-	-	7	7
11	10	-	-	7	7
11	9	-	-	-	-
11	9	-	-	7	7
11	8	7	6	-	-
11	9	7	5	-	-
8	6	7	5	-	-

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*.

Mandurah Community Financial Services Limited

Directors' Report

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 30 to the accounts.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the directors at Mandurah, Western Australia.



Ian James Anson Ilsley, Chair

Dated this 22nd day of September 2021

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

As lead auditor for the audit of Mandurah 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:

- 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: 22 September 2021



Joshua Griffin
Lead Auditor

Mandurah Community Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue from contracts with customers	8	983,693	1,043,576
Other revenue	9	44,105	80,424
Finance income	10	5,412	14,444
Employee benefit expenses	11c)	(624,795)	(562,913)
Charitable donations, sponsorship, advertising and promotion		(107,765)	(123,072)
Occupancy and associated costs		(30,885)	(28,122)
Systems costs		(59,856)	(59,651)
Depreciation and amortisation expense	11a)	(98,228)	(106,108)
Finance costs	11b)	(25,900)	(31,749)
General administration expenses		(153,509)	(152,885)
Fair value gains/(losses) on investments	12	68,766	(64,459)
Profit before income tax credit		1,038	9,485
Income tax credit	13a)	9,731	14,319
Profit after income tax credit		10,769	23,804
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		10,769	23,804
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32	1.81	4.00

Mandurah Community Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	14	887,144	991,098
Trade and other receivables	16a)	97,047	107,378
Current tax assets	20a)	23,768	-
Total current assets		1,007,959	1,098,476
Non-current assets			
Other investments	15	212,409	138,132
Property, plant and equipment	17a)	49,581	54,346
Right-of-use assets	18a)	381,175	572,634
Intangible assets	19a)	8,412	19,604
Deferred tax asset	20b)	37,471	46,567
Total non-current assets		689,048	831,283
Total assets		1,697,007	1,929,759
LIABILITIES			
Current liabilities			
Trade and other payables	21a)	69,855	56,872
Current tax liabilities	20a)	-	6,968
Lease liabilities	22a)	63,854	72,878
Employee benefits	24a)	31,819	44,953
Total current liabilities		165,528	181,671
Non-current liabilities			
Trade and other payables	21b)	-	12,715
Lease liabilities	22b)	384,510	557,221
Employee benefits	24b)	7,620	9,091
Provisions	23a)	25,372	24,239
Total non-current liabilities		417,502	603,266
Total liabilities		583,030	784,937
Net assets		1,113,977	1,144,822
EQUITY			
Issued capital	25a)	594,490	594,490
Retained earnings	26	519,487	550,332
Total equity		1,113,977	1,144,822

Mandurah Community Financial Services Limited

Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019		594,490	568,142	1,162,632
Total comprehensive income for the year		-	23,804	23,804
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31a)	-	(41,614)	(41,614)
Balance at 30 June 2020		594,490	550,332	1,144,822
Total comprehensive income for the year		-	10,769	10,769
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31a)	-	(41,614)	(41,614)
Balance at 30 June 2021		594,490	519,487	1,113,977

The accompanying notes form part of these financial statements

Mandurah Community Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,057,000	1,167,793
Payments to suppliers and employees		(974,029)	(967,798)
Interest received		5,555	14,444
Lease payments (interest component)	11b)	(24,766)	(30,666)
Lease payments not included in the measurement of lease liabilities	11d)	(30,093)	(29,929)
Dividends received		5,517	7,824
Income taxes refunded/(paid)		(11,907)	(8,028)
Net cash provided by operating activities	27	27,277	153,640
Cash flows from investing activities			
Payments for property, plant and equipment		(6,708)	(5,428)
Payments for intangible assets		(11,559)	(11,559)
Payments for investments		(5,511)	(139,268)
Net cash used in investing activities		(23,778)	(156,255)
Cash flows from financing activities			
Lease payments (principal component)		(65,839)	(67,043)
Dividends paid	31a)	(41,614)	(41,614)
Net cash used in financing activities		(107,453)	(108,657)
Net cash decrease in cash held		(103,954)	(111,272)
Cash and cash equivalents at the beginning of the financial year		991,098	1,102,370
Cash and cash equivalents at the end of the financial year	14	887,144	991,098

The accompanying notes form part of these financial statements

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Mandurah 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
Ward & Ilsley Partners Pty Ltd. 55C Mandurah Terrace Mandurah WA 6210	Halls Head Shopping Shop 7 Peelwood Parade Halls Head WA 6210

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

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, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

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 22 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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

a) Revenue from contracts with customers (*continued*)

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

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

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

a) Revenue from contracts with customers (*continued*)

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.

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

b) Other revenue

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

<u>Revenue stream</u>	<u>Revenue recognition policy</u>
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

b) Other revenue (*continued*)

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.

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 **Summary of significant accounting policies (*continued*)**

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 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.

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

e) Taxes (*continued*)

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and 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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Plant and equipment	Straight-line and diminishing value	1 to 8 years
Motor vehicles	Straight line	8 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 impairment whenever impairment indicators are present.

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

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

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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 and other debtors, creditors, cash and cash equivalents, equity securities (shares, managed funds, ETFs) 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, except for the equity securities which remain at fair value through profit or loss (FVTPL).

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

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 **Summary of significant accounting policies (*continued*)**

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.

As a lessee

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

n) Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

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:

<u>Note</u>	<u>Judgement</u>
- Note 22 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 20 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 28 - fair value	determining the fair value less costs to sell of the disposal group on the basis of quoted market price at the close of business at the end of the reporting period.
- Note 17 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 24 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 23 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

a) Credit risk

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

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

b) Liquidity risk

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

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

b) Liquidity risk (*continued*)

Exposure to liquidity risk (continued)

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	448,364	83,070	357,959	71,688
Trade and other payables	69,855	69,855	-	-
	<u>518,219</u>	<u>152,925</u>	<u>357,959</u>	<u>71,688</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	630,099	100,232	431,911	205,288
Trade and other payables	69,587	56,872	12,715	-
	<u>699,686</u>	<u>157,104</u>	<u>444,626</u>	<u>205,288</u>

c) Market risk

Market risk

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

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

Price risk

The primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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

Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX). All unlisted equity investments trade shares through a Low Volume Financial Market. Changes in equity securities value is recognised through profit or loss.

	<u>2021</u>		<u>2020</u>	
	<u>\$</u>		<u>\$</u>	
	10% increase	10% decrease	10% increase	10% decrease
Equity securities	<u>21,241</u>	<u>(21,241)</u>	<u>13,813</u>	<u>(13,813)</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

c) Market risk (*continued*)

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$887,144 at 30 June 2021 (2020: \$991,098). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company 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 company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	831,924	896,037
- Fee income	100,007	99,345
- Commission income	51,762	48,194
	<u>983,693</u>	<u>1,043,576</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Dividend and distribution income	5,517	7,824
- Market development fund income	-	10,000
- Cash flow boost	37,500	62,500
- Other income	1,088	100
	<u>44,105</u>	<u>80,424</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10	Finance income		
		2021 \$	2020 \$
-	Term deposits	5,412	14,444

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

Note 11	Expenses		
a)	Depreciation and amortisation expense	2021 \$	2020 \$
	<i>Depreciation of non-current assets:</i>		
-	Plant and equipment	3,951	2,180
-	Motor vehicles	7,522	7,522
		11,473	9,702
	<i>Depreciation of right-of-use assets</i>		
-	Leased land and buildings	75,563	85,214
	<i>Amortisation of intangible assets:</i>		
-	Franchise fee	2,238	2,238
-	Franchise renewal process fee	8,954	8,954
		11,192	11,192
	Total depreciation and amortisation expense	98,228	106,108
b)	Finance costs		
-	Lease interest expense	24,766	30,666
-	Unwinding of make-good provision	1,134	1,083
		25,900	31,749
c)	Employee benefit expenses		
	Wages and salaries	559,490	493,074
	Non-cash benefits	49,578	43,996
	Contributions to defined contribution plans	12,870	12,041
	Expenses related to long service leave	(11,177)	(2,164)
	Other expenses	14,034	15,966
		624,795	562,913
d)	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	30,093	29,929

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12 Fair value gains/(losses) on investments

	2021 \$	2020 \$
At FVTPL - equity instruments	68,766	(64,459)

The company owns listed shares in Bendigo and Adelaide Bank. Gains and losses represent the market movement during the financial year.

Note 13 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Current tax	-	10,331
- Future income tax benefit attributable to losses	(22,435)	-
- Movement in deferred tax	13,569	(41,157)
- Excess franking credits converted to tax losses	(2,364)	-
- Franking credit tax rate mismatch	-	(3,353)
- Adjustment to deferred tax on AASB 16 retrospective application	-	17,173
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	1,499	2,687
	<u>(9,731)</u>	<u>(14,319)</u>
b) <i>Prima facie</i> income tax reconciliation		
Operating profit before taxation	1,038	9,485
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	270	2,608
Tax effect of:		
- Temporary differences	(15,933)	23,987
- Other assessable income	(9,136)	(16,264)
- Movement in deferred tax	13,569	(41,157)
- Net benefit of franking credits on distributions received	-	(3,353)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	1,499	2,687
- Leases initial recognition	-	17,173
	<u>(9,731)</u>	<u>(14,319)</u>

Note 14 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	77,634	176,529
- Term deposits	809,510	814,569
	<u>887,144</u>	<u>991,098</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 15 Other investments

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

Non-current investments	2021 \$	2020 \$
Equity securities - at FVTPL	212,409	138,132

Note 16 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	73,436	79,004
Prepayments	9,400	11,321
Other receivables and accruals	14,211	17,053
	97,047	107,378

Note 17 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Plant and equipment</i>		
At cost	290,245	283,537
Less: accumulated depreciation	(278,080)	(274,129)
	12,165	9,408
<i>Motor vehicles</i>		
At cost	60,168	60,168
Less: accumulated depreciation	(22,752)	(15,230)
	37,416	44,938
Total written down amount	49,581	54,346
b) Reconciliation of carrying amounts		
<i>Plant and equipment</i>		
Carrying amount at beginning	9,408	6,160
Additions	6,708	5,428
Depreciation	(3,951)	(2,180)
	12,165	9,408
<i>Motor vehicles</i>		
Carrying amount at beginning	44,938	52,460
Depreciation	(7,522)	(7,522)
	37,416	44,938
Total written down amount	49,581	54,346

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17 Property, plant and equipment (*continued*)

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 18 Right-of-use assets

a) Carrying amounts	2021 \$	2020 \$
<i>Leased land and buildings</i>		
At cost	733,971	849,867
Less: accumulated depreciation	(352,796)	(277,233)
Total written down amount	<u>381,175</u>	<u>572,634</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	572,634	-
Initial recognition on transition	-	853,414
Accumulated depreciation on adoption	-	(192,018)
Remeasurement adjustments	(115,896)	(3,548)
Depreciation	(75,563)	(85,214)
	<u>381,175</u>	<u>572,634</u>

See note 22 lease liabilities for information on remeasurement adjustments.

Note 19 Intangible assets

a) Carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	111,192	111,192
Less: accumulated amortisation	(109,495)	(107,257)
	<u>1,697</u>	<u>3,935</u>
<i>Franchise renewal process fee</i>		
At cost	44,769	44,769
Less: accumulated amortisation	(38,054)	(29,100)
	<u>6,715</u>	<u>15,669</u>
Total written down amount	<u>8,412</u>	<u>19,604</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 19		Intangible assets	
b)	Reconciliation of carrying amounts	2021	2020
		\$	\$
<i>Franchise fee</i>			
	Carrying amount at beginning	3,935	6,173
	Amortisation	(2,238)	(2,238)
		<u>1,697</u>	<u>3,935</u>
<i>Franchise renewal process fee</i>			
	Carrying amount at beginning	15,669	24,623
	Amortisation	(8,954)	(8,954)
		<u>6,715</u>	<u>15,669</u>
	Total written down amount	<u>8,412</u>	<u>19,604</u>
Note 20		Tax assets and liabilities	
a)	Current tax	2021	2020
		\$	\$
	Income tax payable/(refundable)	<u>(23,768)</u>	<u>6,968</u>
b)	Deferred tax		
<i>Deferred tax assets</i>			
-	expense accruals	5,004	1,853
-	employee provisions	10,611	14,346
-	make-good provision	6,343	6,302
-	lease liability	112,091	163,825
-	carried-forward tax losses	8,014	17,444
	Total deferred tax assets	<u>142,063</u>	<u>203,770</u>
<i>Deferred tax liabilities</i>			
-	income accruals	176	220
-	deductible prepayments	2,350	2,943
-	fair value of investments	418	-
-	property, plant and equipment	6,354	5,155
-	right-of-use assets	95,294	148,885
	Total deferred tax liabilities	<u>104,592</u>	<u>157,203</u>
	Net deferred tax assets (liabilities)	<u>37,471</u>	<u>46,567</u>
	Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(9,096)</u>	<u>21,297</u>
	Movement in deferred tax charged to Statement of Changes in Equity	<u>-</u>	<u>17,173</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 Trade creditors and other payables

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

a) Current liabilities	2021 \$	2020 \$
Trade creditors	4,743	17,554
Other creditors and accruals	65,112	39,318
	<u>69,855</u>	<u>56,872</u>
b) Non-current liabilities		
Other creditors and accruals	-	12,715

Note 22 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.58%.

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

The company's lease portfolio includes:

- Mandurah branch The lease agreement commenced in March 2017 for 5 years. The company has a 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is March 2027.

a) Current lease liabilities	2021 \$	2020 \$
Property lease liabilities	83,070	100,232
Unexpired interest	(19,216)	(27,354)
	<u>63,854</u>	<u>72,878</u>
b) Non-current lease liabilities		
Property lease liabilities	429,647	637,199
Unexpired interest	(45,137)	(79,978)
	<u>384,510</u>	<u>557,221</u>

The remeasurement adjustments in the period were mainly due to removing non lease components (outgoings) from the lease liability. These are now expensed through occupancy and associated costs.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22	Lease liabilities (continued)		
c)	Reconciliation of lease liabilities	2021	2020
		\$	\$
	Balance at the beginning	630,099	-
	Initial recognition on AASB 16 transition	-	700,688
	Remeasurement adjustments	(115,896)	(3,546)
	Lease interest expense	24,766	30,666
	Lease payments - total cash outflow	(90,605)	(97,709)
		<u>448,364</u>	<u>630,099</u>
d)	Maturity analysis		
-	Not later than 12 months	83,070	100,232
-	Between 12 months and 5 years	357,959	431,911
-	Greater than 5 years	71,688	205,288
	Total undiscounted lease payments	<u>512,717</u>	<u>737,431</u>
	Unexpired interest	(64,353)	(107,332)
	Present value of lease liabilities	<u>448,364</u>	<u>630,099</u>

Note 23	Provisions		
a)	Non-current liabilities	2021	2020
		\$	\$
	Make-good on leased premises	<u>25,372</u>	<u>24,239</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$33,000 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 on 31 March 2027 at which time it is expected the face-value costs to restore the premises will

Note 24	Employee benefits		
a)	Current liabilities	2021	2020
		\$	\$
	Provision for annual leave	23,467	26,895
	Provision for long service leave	8,352	18,058
		<u>31,819</u>	<u>44,953</u>
b)	Non-current liabilities		
	Provision for long service leave	<u>7,620</u>	<u>9,091</u>

c) Key judgement and assumptions

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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25	Issued capital				
a)	Issued capital				
		2021		2020	
		Number	\$	Number	\$
	Ordinary shares - fully paid	594,490	594,490	594,490	594,490

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).

Ordinary Shares

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 397. As at the date of this report, the company had 411 shareholders (2019: 416 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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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 Retained earnings

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		550,332	613,417
Adjustment for transition to AASB 16		-	(45,275)
Net profit after tax from ordinary activities		10,769	23,804
Dividends provided for or paid	32a)	(41,614)	(41,614)
Balance at end of reporting period		<u>519,487</u>	<u>550,332</u>

Note 27 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	10,769	23,804
Adjustments for:		
- Depreciation	87,036	94,916
- Amortisation	11,192	11,192
- (Increase)/decrease in fair value of investment property	-	-
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	(68,766)	64,459
- Income reinvested in financial assets	(5,511)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	10,330	(2,050)
- (Increase)/decrease in other assets	(9,160)	(9,738)
- Increase/(decrease) in trade and other payables	11,825	(36,789)
- Increase/(decrease) in employee benefits	(14,604)	7,812
- Increase/(decrease) in provisions	1,134	1,083
- Increase/(decrease) in tax liabilities	(6,968)	(1,049)
Net cash flows provided by operating activities	<u>27,277</u>	<u>153,640</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 28 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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.

		Carrying amount				Fair value level	
		2021	2021	2020	2020	2021	2020
		\$	\$	\$	\$	\$	\$
	Note	FVTPL	At amortised cost	FVTPL	At amortised cost	Level 1	Level 1
Financial assets measured at fair value:							
Equity securities	15	212,409	-	138,132	-	212,409	138,132
Financial assets not measured at fair value:							
Cash and cash equivalents	14	-	77,634	-	176,529	-	-
Term deposits	14	-	809,510	-	814,569	-	-
Trade and other receivables	16	-	87,647	-	96,057	-	-
		-	87,647	-	1,087,155	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	21	-	69,855	-	69,587	-	-
Lease Liabilities	22	-	448,364	-	630,099	-	-
		-	518,219	-	699,686	-	-

Note 29 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- General advisory services	1,890	2,350
- Share registry services	5,800	5,500
Total auditor's remuneration	12,690	12,650

Note 30 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Ian James Anson Ilsley
 Andrew James Brown
 Douglas Philip James Savarese
 Adrian Paul Pitsikas
 Timothy David Williams
 Horace Brett Hill
 Sharon Leanne Beetham

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 30 Related parties (*continued*)

b) Key management personnel compensation

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

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

c) Related party transactions

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
	\$	\$
<i>Transactions with related parties</i>		
- Ian Ilsley is a director of Ward & Ilsley Partners Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit Ward & Ilsley Partners Pty Ltd received was	34,720	39,040
Total transactions with related parties	34,720	39,040

Note 31 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	7.00	41,614	7.00	41,614

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

b) Franking account balance

Franking credits available for subsequent reporting periods

	2021	2020
	\$	\$
Franking account balance at the beginning of the financial year	318,699	323,113
Franking transactions during the financial year:		
- Franking credits arising from income taxes paid	11,907	8,018
- Franking credits from franked distributions received	2,364	3,353
- Franking debits from the payment of franked distributions	(14,621)	(15,785)
Franking account balance at the end of the financial year	318,349	318,699
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(23,768)	6,968
Franking credits available for future reporting periods	294,581	325,667

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 32 Earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	10,769	23,804
	Number	Number
Weighted-average number of ordinary shares	594,490	594,490
	Cents	Cents
Basic and diluted earnings per share	1.81	4.00

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.

Mandurah Community Financial Services Limited

Directors' Declaration

In accordance with a resolution of the directors of Mandurah 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.



Ian James Anson Ilesley, Chair

Dated this 22nd day of September 2021

Independent auditor's report to the Directors of Mandurah Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mandurah Community Financial Services Limited's (the company), which comprises:

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

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

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

Basis for Opinion

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

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

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

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.

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: 22 September 2021



Joshua Griffin
Lead Auditor

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