Annual Report 2021

Meander Valley Financial Services Limited

Community Bank
Deloraine & Districts

ABN 27 111 858 078

Contents

Chair's report

Whilst the world was continuing to manage the COVID-19 pandemic, with the relative freedom experienced in Tasmania, an increase in Tasmanian property and land values and strong market for key sectors such as agriculture, Community Bank Deloraine & Districts has performed strongly in 2020-21, with continued growth and investment back to the community.

This is highlighted by the significant milestones of over $2 million reinvested back into the Meander Valley. This has occurred through grants, sponsorships, donations, dividends and scholarships, during the 16 years that Community Bank Deloraine & Districts has been open.

From big projects to small, we are proud to have been able to support so many community organisations and members.

This sort of return to the community is only possible because of the strong support that our customers and shareholders have shown, allowing for the continued growth of the banking business.

COVID restrictions saw a number of community events that we support cancelled, postponed or significantly altered. This has been disappointing and challenging for the many volunteers effected. We have continued to support many organisations across the Meander Valley and this includes some COVID safe events, but also our annual scholarships and our annual grant round.

We congratulate Dana Blair and Georgie Bennett who were awarded tertiary scholarships.

We also look forward to seeing the projects supported throughout 2020 Community Bank Grant Round be developed. The recipients for this year include: Aged Care Deloraine Auxiliary, Deloraine District Pony Club, Westbury Agricultural Society, Westbury Primary School Parents Association, Deloraine House, Westbury RSL Club, Deloraine Community Band, Rotary Club of Westbury, Giant Steps Tasmania, Meander Valley U3A, Rotary Club of Deloraine, and Dymocks Children's Charities (Deloraine Primary and Our Lady of Mercy).

Pleasingly the value of the business held at Community Bank Deloraine & District continues to grow. At a time when interest rates are low, and margins are tight, the ability to continue to grow the business is key and allows Meander Valley Financial Services to continue to return money to the community and support community projects.

FY20 saw some more change in our staff with the departure of Stewart Nankervis and Simon Rootes. The contribution of Stewart and Simon to the Tasmanian Bendigo Bank network over many years has been significant.

For Community Bank Deloraine & Districts, Simon's contribution has been significant. He joined the team as a Customer Relationship Officer and progressed to the Branch Manager in 2018, overseeing significant growth in the business, a branch refit and developed community partnerships.

I sincerely thank our Community Bank team of Judy, Katie, Kim, Susan, Will, Brittany and Oliver who this year joined the team as our second trainee. The team provide exceptional and professional service as the day to day faces of our business. Their strength and support of each

other through challenging times is something to be admired, this care is passed on to customers and is appreciated by many.

Thank you also, to the wider Bendigo Bank state network, who particularly this year, has supported our Branch, Branch team and Board.

Rob Greatbatch, has recently joined our team as Branch Manager. With a strong grounding in banking and a desire to take Community Bank Deloraine & Districts forward, we welcome Rob to the team.

The Meander Valley Financial Services Board welcomed Kim Rootes as an additional Director. Kim is a Westbury local who brings great administrative skills to the Board. Kim has joined a strong and stable board, that continues to focus on the development of business and our ability to support our community.

With a changing banking environment and an economy and society changed due to the pandemic, the need for the services that the Community Bank provides and the support it delivers back to the community is perhaps more relevant than ever. And as such, we thank our shareholders and customers, for your continued support.

Laura Richardson

Chair

Manager's report

Across the globe, Covid has presented so many challenges, and banking in Australia has been similarly impacted. The Bank as a whole is seeing people move to digital - even with its full freedom during COVID, Tasmania has seen branch transaction numbers reduce significantly. We need to be ready to adapt to this going forward. Furthermore, to combat some of the financial hardships Australians may face, the RBA has reduced interest rates to record lows. This resulted in increased lending activity, and property performance has been strong. However, with interest rates so low, and strong competition from other lenders, profit margins are very tight. The Bank as a whole has had record growth including Tasmania. Low margins have impacted income for us all but business growth has been strong

The past twelve months has seen some further staff movements. Susan Drake has progressed from a personal lender to a home loan specialist. With Brittany Cameron currently on maternity leave, and Susan moving into a home loan role, it left a void of personal lenders. Will Bryan has taken on this position with aplomb and hit the ground running. Given the success of Will's traineeship before he became a full-time staff member, and to fill the position he vacated as a teller, we've brought on another trainee; Oliver Proudfoot-Bisset is a young Mole Creek local who has shown tremendous aptitude for banking. Katie Tangney and Judy Hawkes have been solid employees for many years, and job-share the second teller role, providing stability and experience. It is reassuring for me as new Branch Manager to see such capable staff who know their jobs inside out. In a similar vein, Kim Walters has extensive banking experience, and has taken on the role of Assistant Branch Manager. Her branch knowledge is a genuine asset to the business.

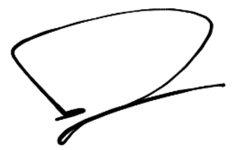
Perhaps the most notable and proud achievement over the past twelve months has been reaching two-million-dollar mark for contributions contributed back to the Meander Valley community. $2,000,000. It's a massive figure, and one to be enormously proud of. Furthermore, our banking business is now in excess of $200M; another significant figure of note. Nonetheless, we don't stop here, and now look to grow even further over the next twelve months. As the old adage goes, 'why fix what's not broken?'. We will continue to immerse ourselves in the Deloraine and surrounding communities with participation in the local shows, football club, and other similar activities. However, perhaps the most important cog in the wheel will be to deliver astounding service to our customers, and be a solid presence for the community.

As other banks are closing or reducing their opening hours in rural and regional communities, we remain open 9-5 all week and we are sending a message to the local community that we aren't going anywhere, and are here for them. This is a great opportunity for further growth in all areas of banking, not least of which is reputation.

As the new Branch Manager of Community Bank Deloraine & Districts and as I commenced my tenure, it became very apparent very quickly that our branch has, in the first place, a tremendous impact on the community, and secondly, a wonderful in-house culture with great staff. On that account, in behoves me to pay special thanks to my predecessor, Simon Rootes, for the fantastic legacy he has left. His watermark is etched into all areas of the branch and community, and he takes with him a strong reputation. I wish him well with his future endeavours, and I have trust he can impact the lives of those he now works with as he did here in this branch.

As I bring this report to a conclusion, I'd like to make a special note of thanks to the entire Board of Directors for their very warm welcome to Community Bank Deloraine & Districts and the support I already feel from them. I trust we can build a solid partnership going forwards. A further note of thanks must be expressed to Regional Managers Martyn Neville and Jordan Lovell for their support and assistance (often in their own time) during the transitional period.

I look forward to the challenges of further growth over the next twelve months, whilst simultaneously maintaining community reputation and involvement.



Rob Greatbatch

Branch Manager

Director's 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:

Laura Jane Richardson
Chair
Occupation: Executive Officer and Regional Manager for Dairy Tasmania
Qualifications, experience and expertise: Extensive organisational, secretarial, political and administrative experience. Laura is the former company secretary for Meander Valley Financial Services Limited, former President and current Board member of the Rural Youth Organisation of Tasmania, Member of the Deloraine & District Recreation Precinct Working Group, Life Member of the Deloraine Amateur Basketball Association. Laura is involved in a number of community groups both local and statewide. Laura was previously employed as a Senior Advisor in the Tasmanian Government.
Special responsibilities: Chair, Marketing and Promotion
Interest in shares: 751 ordinary shares

Graham Stephen Dent
Non-executive director
Occupation: Farmer
Qualifications, experience and expertise: Graham has been operating a small business which includes retail and processing for 50 years. Rural Fire Brigade captain for 12 years, permit officer for 25 years. He is part of many community committees and farming committee. He is the past Chairman of Tasmanian Feeds Ltd.
Special responsibilities: Deputy Vice Chair, Business Development Committee, Farmer's night organiser
Interest in shares: 28,000 ordinary shares

Melinda Kaye Norton
Secretary
Occupation: Electorate Officer
Qualifications, experience and expertise: Melinda is the Secretary of MVFSL and Treasurer of Weegena Hall Committee . She has a background in administration, customer services, hospitality and is a volunteer fire fighter.
Special responsibilities: Secretary and Governance Committee
Interest in shares: 500 ordinary shares

Anne Margaret Harvey
Non-executive director
Occupation: Teacher
Qualifications, experience and expertise: Current Dairy Farmer/ Agistment Business. Diploma of Teaching and Bachelor of Education. Current life member of Deloraine Community band. Life member of Deloraine Primary School Association.
Special responsibilities: Business Development Committee
Interest in shares: 1,000 ordinary shares

David Frank Cameron
Non-executive director
Occupation: Farmer
Qualifications, experience and expertise: Farmer, Butcher, past Rotary, Football, Badminton, Basketball, Pony Club.
Special responsibilities: Nil
Interest in shares: 2,000 ordinary shares

Directors *(continued)*

Barry Gordon Pearn
Non-executive director
Occupation: Semi Retired / IT Consultant
Qualifications, experience and expertise: Barry has completed a Bachelor of Business (Accounting), Graduate Diploma of Applied Computing and a Masters of Computing. He has worked in a number of industries such as earthmoving and land clearing, managing onsite contracting at Woodchip Mill, earthmoving and farm drainage, civil contract administration, IT consulting. He is also a member of the Rotary club of Westbury, Whitemore fire brigade and was a civil contractor federation member as a councillor and treasurer.
Special responsibilities: Treasurer
Interest in shares: nil share interest held

Andrew Raymond Johnston
Non-executive director
Occupation: Primary Producer
Qualifications, experience and expertise: Primary Producer managing a mixed farming enterprise at Exton, Member and Past President of the Rotary Club of Deloraine. Past Director of Wool Producers Australia, and Chairman of the Wool Council for Tasmanian Farmers & Graziers Association.
Special responsibilities: Nil
Interest in shares: 500 ordinary shares

Carmen Elizabeth Cresswell
Non-executive director
Occupation: Farmer
Qualifications, experience and expertise: Studied at the University of Tasmania before returning to work on the family farm. Owner of a white suffolk sheep stud. Current vice-president of the Deloraine Show Society. Secretarial and administrative experience through past involvement with local sporting groups.
Special responsibilities: Nil
Interest in shares: 1,000 ordinary shares

Kim Maree Anne Rootes
Non-executive director (appointed 16 November 2020)
Occupation: School Business Manager
Qualifications, experience and expertise: School Business Manager. Worked for Tasmania Temptations from 1983-2004.
Special responsibilities:
Interest in shares: nil share interest held

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 Melinda Norton. Melinda was appointed to the position of secretary on 1 July 2017.

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.

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 $
	32,465	56,161

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Laura Jane Richardson	751	-	751
Graham Stephen Dent	28,000	-	28,000
Melinda Kaye Norton	500	-	500
Anne Margaret Harvey	1,000	-	1,000
David Frank Cameron	2,000	-	2,000
Barry Gordon Pearn	-	-	-
Andrew Raymond Johnston	500	-	500
Carmen Elizabeth Cresswell	-	1,000	1,000
Kim Maree Anne Rootes	-	-	-

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	6.50	42,250

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.

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 29 to the financial statements.

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*	Board Meetings	
	E	A
Laura Jane Richardson	11	10
Graham Stephen Dent	11	8
Melinda Kaye Norton	11	11
Anne Margaret Harvey	11	11
David Frank Cameron	11	8
Barry Gordon Pearn	11	11
Andrew Raymond Johnston	11	11
Carmen Elizabeth Cresswell	11	9
Kim Maree Anne Rootes	11	10

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note Note 28

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 Deloraine, Tasmania.

Laura Jane Richardson, Chair

Dated this 30th day of September 2021

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

As lead auditor for the audit of Meander Valley 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: 30th September 2021

Joshua Griffin
Lead Auditor

afsbendigo.com.au

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	889,921	916,630
Other revenue	9	19,306	48,254
Finance income	10	1,367	2,495
Employee benefit expenses	11c)	(510,430)	(407,202)
Charitable donations, sponsorship, advertising and promotion		(95,526)	(261,410)
Occupancy and associated costs		(33,381)	(31,833)
Systems costs		(28,088)	(19,395)
Depreciation and amortisation expense	11a)	(58,833)	(57,812)
Finance costs	11b)	(6,116)	(1,324)
General administration expenses		(137,965)	(113,934)
Profit before income tax expense		40,255	74,469
Income tax expense	12a)	(7,790)	(18,308)
Profit after income tax expense		32,465	56,161
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		32,465	56,161
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	4.99	8.64

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	205,399	450,477
Trade and other receivables	15	46,972	47,705
Current tax assets	19a)	18,993	-
Total current assets		271,364	498,182
Non-current assets			
Investment property	14a)	32,045	51,301
Property, plant and equipment	16a)	196,028	114,490
Right-of-use assets	17a)	215,198	91,211
Intangible assets	18a)	51,885	64,856
Total non-current assets		495,156	321,858
Total assets		766,520	820,040
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	84,420	222,756
Current tax liabilities	19a)	-	8,696
Lease liabilities	21a)	23,852	25,719
Employee benefits	23a)	-	2,461
Total current liabilities		108,272	259,632
Non-current liabilities			
Trade and other payables	20b)	47,462	63,284
Lease liabilities	21b)	227,125	117,540
Provisions	22a)	3,990	4,402
Deferred tax liability	19b)	18,240	3,966
Total non-current liabilities		296,817	189,192
Total liabilities		405,089	448,824
Net assets		361,431	371,216
EQUITY			
Issued capital	24a)	618,894	618,894
Accumulated losses	25	(257,463)	(247,678)
Total equity		361,431	371,216

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		618,894	(261,589)	357,305
Total comprehensive income for the year		-	56,161	56,161
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(42,250)	(42,250)
Balance at 30 June 2020		618,894	(247,678)	371,216
Balance at 1 July 2020		618,894	(247,678)	371,216
Total comprehensive income for the year		-	32,465	32,465
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(42,250)	(42,250)
Balance at 30 June 2021		618,894	(257,463)	361,431

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,000,882	1,034,686
Payments to suppliers and employees		(1,019,349)	(805,783)
Interest received		1,367	2,495
Lease payments (interest component)	11b)	(5,918)	(1,037)
Lease payments not included in the measurement of lease liabilities	11d)	(15,450)	(6,894)
Income taxes paid		(21,206)	(15,114)
Net cash provided by/(used in) operating activities	26	(59,674)	208,353
Cash flows from investing activities			
Payments for property, plant and equipment		(102,411)	-
Payments for intangible assets		(14,383)	-
Net cash used in investing activities		(116,794)	-
Cash flows from financing activities			
Lease payments (principal component)		(26,360)	(30,399)
Dividends paid	30a)	(42,250)	(42,250)
Net cash used in financing activities		(68,610)	(72,649)
Net cash increase/(decrease) in cash held		(245,078)	135,704
Cash and cash equivalents at the beginning of the financial year		450,477	314,773
Cash and cash equivalents at the end of the financial year	13a)	205,399	450,477

The accompanying notes form part of these financial statements

Notes to the financial statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Meander Valley 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
49 Emu Bay Road Deloraine TAS 7304	49 Emu Bay Road Deloraine TAS 7304

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 29.

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. 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 30 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

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

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

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 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.

Revenue	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
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.

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.

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

d) Employee benefits

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

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.

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

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

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 method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	over the lease term
Plant and equipment	Straight-line and diminishing value	2 to 10 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 relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

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

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

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

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

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

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 and creditors, cash and cash equivalents and lease liabilities.

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

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.

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

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.

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.

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 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.

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

m) Leases *(continued)*

As a lessee

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.

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.

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 21 - 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.

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:

Note	Assumptions
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - 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 following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	250,977	32,352	129,402	132,099
Trade and other payables	131,882	84,420	47,462	-
	382,859	116,772	176,864	132,099

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	143,259	31,495	125,979	2,625
Trade and other payables	286,040	222,756	63,284	-
	429,299	254,251	189,263	2,625

Notes to the financial statements (continued)

for the year ended 30 June 2021

Note 6 Financial risk management *(continued)*

c) Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of $205,399 at 30 June 2021 (2020: $450,477). 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	653,327	650,155
- Fee income	79,322	72,280
- Commission income	157,272	194,195
	889,921	916,630

Note 9 Other revenue

	2021 $	2020 $
- Sub-leasing income	2,156	14,424
- Market development fund income	-	23,750
- Cash flow boost	10,000	10,000
- Other income	7,150	80
	19,306	48,254

Note 10 Finance income

	2021 $	2020 $
- Term deposits	1,367	2,495

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

Note 11 Expenses

a) Depreciation and amortisation expense

	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	12,647	5,903
- Plant and equipment	4,477	3,036
	17,124	8,939
Depreciation of right-of-use assets:		
- Leased land and buildings	28,738	35,261
Amortisation of intangible assets:		
- Franchise fee	2,162	2,269
- Franchise renewal process fee	10,809	11,343
	12,971	13,612
Total depreciation and amortisation expense	58,833	57,812

b) Finance costs

	2021 $	2020 $
- Lease interest expense	5,918	1,037
- Unwinding of make-good provision	198	287
	6,116	1,324

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	396,443	304,468
Contributions to defined contribution plans	39,238	29,292
Expenses related to long service leave	4,779	3,569
Other expenses	69,970	69,873
	510,430	407,202

Notes to the financial statements (continued)

for the year ended 30 June 2021

Note 11 Expenses *(continued)*

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.

The company pays for the right to use a self-storage unit. The lease agreement is expired and continues on existing terms on a month-by-month basis with no significant penalty for termination. As such the lease has been assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.

	2021 $	2020 $
Expenses relating to low-value leases	13,541	6,894
Expenses relating to short-term leases	1,909	-
	15,450	6,894

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense		
- Current tax	-	22,433
- Future income tax benefit attributable to losses	(6,483)	-
- Movement in deferred tax	15,003	(3,896)
- Reduction in company tax rate	(730)	(229)
	7,790	18,308

b) *Prima facie* income tax reconciliation

	2021 $	2020 $
Operating profit before taxation	40,255	74,469
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	10,466	20,479
Tax effect of:		
- Non-deductible expenses	655	809
- Temporary differences	(15,004)	3,895
- Other assessable income	(2,600)	(2,750)
- Movement in deferred tax	15,003	(3,896)
- Reduction in company tax rate	(730)	(229)
	7,790	18,308

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	47,910	82,106
- Term deposits	157,489	368,371
	205,399	450,477

Note 14 Investment property

The company sub-leases some of its property. The company initially measures the head lease in accordance with AASB 16 before separately identifying the sub-lease portion under AASB 140 Investment Property. The investment property is initially measured at cost under AASB 16 and subsequently measured at cost less accumulated depreciation under AASB 140.

a) Carrying amounts

	2021 $	2020 $
Investment properties - sub-lease		
At cost	36,723	63,956
Less: accumulated depreciation	(4,678)	(12,655)
Total written down amount	32,045	51,301

b) Reconciliation of carrying amounts

Investment properties - sub-lease		
Carrying amount at beginning	51,301	-
Initial recognition on transition - at cost	-	13,709
Remeasurement adjustments	(14,578)	50,247
Depreciation	(4,678)	(12,655)
Total written down amount	32,045	51,301

In July 2021 the company ceased sub-leasing a portion of their branch. A new sub-lease agreement commenced in March 2021.

c) Maturity analysis

The operating sub-lease was a 6 year lease which commenced 1 July 2019. The lease was terminated in July 2020. A new sublease was entered into March 2021 for 2 years. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 $	2020 $
- Within 12 months	14,400	524
- Between one and five years	10,800	-
Total undiscounted lease receivable	25,200	524

Note 15 Trade and other receivables

a) Current assets

	2021 $	2020 $
Trade receivables	39,067	33,257
Prepayments	7,905	14,448
	46,972	47,705

Note 16 Property, plant and equipment

a) Carrying amounts

	2021 $	2020 $
Leasehold improvements		
At cost	255,709	200,705
Less: accumulated depreciation	(102,957)	(100,342)
	152,752	100,363
Plant and equipment		
At cost	121,214	87,588
Less: accumulated depreciation	(77,938)	(73,461)
	43,276	14,127
Total written down amount	196,028	114,490

b) Reconciliation of carrying amounts

Leasehold improvements		
Carrying amount at beginning	100,363	106,266
Additions	68,785	-
Disposals	(3,749)	-
Depreciation	(12,647)	(5,903)
	152,752	100,363
Plant and equipment		
Carrying amount at beginning	14,127	17,163
Additions	33,626	-
Depreciation	(4,477)	(3,036)
	43,276	14,127
Total written down amount	196,028	114,490

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.

The company's review of estimates resulted in changes in the useful life. Some of the leasehold improvement's useful life had previously been assessed as 40 years. These have now been revised to align with the branch lease term. This has resulted in a reduction of the expected useful lifes, meaning deprecation rates have been increased, which has increased depreciation expense for the year.

Note 17 Right-of-use assets

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	274,520	113,818
Less: accumulated depreciation	(59,322)	(22,607)
Total written down amount	215,198	91,211

Note 17 Right-of-use assets *(continued)*

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leased land and buildings		
Carrying amount at beginning	91,211	-
Initial recognition on transition	-	24,491
Remeasurement adjustments	148,047	89,326
Depreciation	(24,060)	(22,606)
Total written down amount	215,198	91,211

See note 21 lease liabilites for further information on the remeasurement adjustments.

Note 18 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	93,722	93,722
Less: accumulated depreciation	(85,075)	(82,913)
	8,647	10,809
Franchise renewal process fee		
At cost	168,613	168,613
Less: accumulated depreciation	(125,375)	(114,566)
	43,238	54,047
Total written down amount	51,885	64,856

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	10,809	2,269
Additions	-	10,809
Amortisation	(2,162)	(2,269)
	8,647	10,809
Franchise renewal process fee		
Carrying amount at beginning	54,047	11,343
Additions	-	54,047
Amortisation	(10,809)	(11,343)
	43,238	54,047
Total written down amount	51,885	64,856

c) Changes in estimates

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

Notes to the financial statements (continued)

for the year ended 30 June 2021

Note 19 Tax assets and liabilities

a) Current tax

	2021 $	2020 $
Income tax payable/(refundable)	(18,993)	8,696

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	1,100	781
- employee provisions	29	640
- make-good provision	998	1,144
- lease liability	62,744	37,248
Total deferred tax assets	64,871	39,813
Deferred tax liabilities		
- property, plant and equipment	21,300	6,726
- right-of-use assets	61,811	37,053
Total deferred tax liabilities	83,111	43,779
Net deferred tax assets (liabilities)	(18,240)	(3,966)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	14,274	(3,896)

Note 20 Trade creditors and other payables

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

a) Current liabilities

	2021 $	2020 $
Trade creditors	45,948	213,369
Other creditors and accruals	38,472	9,387
	84,420	222,756

b) Non-current liabilities

	2021 $	2020 $
Other creditors and accruals	47,462	63,284

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%. Subsequent lease modifications were discounted at 3.54%.

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

The company's lease portfolio includes:

- Deloraine Branch — The lease liability calculations commenced in July 2019. A 5 year renewal option was exercised in July 2020. The company has 2 x 5 year renewal options available. For AASB 16: Leases purposes they are reasonably certain to exercise at least 1 x 5 option. As such, the lease term end date used in the calculation of the lease liability is July 2030.

Note 21 Lease liabilities *(continued)*

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	32,352	31,495
Unexpired interest	(8,500)	(5,776)
	23,852	25,719

b) Non-current lease liabilities

	2021 $	2020 $
Property lease liabilities	261,501	128,604
Unexpired interest	(34,376)	(11,064)
	227,125	117,540

c) Reconciliation of lease liabilities

	2021 $	2020 $
Balance at the beginning	143,259	-
Initial recognition on AASB 16 transition	-	33,012
Remeasurement adjustments	134,078	140,646
Lease interest expense	5,918	1,037
Lease payments - total cash outflow	(32,278)	(31,436)
	250,977	143,259

The remeasurement adjustments were mainly due to an increase in the lease term options.

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	32,352	31,495
- Between 12 months and 5 years	129,402	125,979
- Greater than 5 years	132,099	2,625
Total undiscounted lease payments	293,853	160,099
Unexpired interest	(42,876)	(16,840)
Present value of lease liabilities	250,977	143,259

Note 22 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	3,990	4,402

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 as at $5,500 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 July 2030 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	-	2,461

All staff became seconded in February 2021. The company is no longer liable for leave provisions.

Note 24 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	650,000	650,000	650,000	650,000
Less: equity raising costs	-	(31,106)	-	(31,106)
	650,000	618,894	650,000	618,894

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 316. As at the date of this report, the company had 339 shareholders (2020: 340 shareholders).

for the year ended 30 June 2021

Note 24 Issued capital *(continued)*

b) Rights attached to issued capital *(continued)*

Prohibited shareholding interest (continued)

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

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

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

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

Note 25 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(247,678)	(261,589)
Net profit after tax from ordinary activities		32,465	56,161
Dividends provided for or paid	30a)	(42,250)	(42,250)
Balance at end of reporting period		(257,463)	(247,678)

Note 26 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	32,465	56,161
Adjustments for:		
- Depreciation	45,862	44,200
- Amortisation	12,971	13,612
- (Profit)/loss on disposal of non-current assets	3,749	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	734	(4,897)
- (Increase)/decrease in other assets	(18,993)	-
- Increase/(decrease) in trade and other payables	(139,776)	93,513
- Increase/(decrease) in employee benefits	(2,461)	2,461
- Increase/(decrease) in provisions	197	287
- Increase/(decrease) in tax liabilities	5,578	3,016
Net cash flows provided by/(used in) operating activities	(59,674)	208,353

Notes to the financial statements (continued)

for the year ended 30 June 2021

Note 27 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	47,910	82,106
Term deposits	13	157,489	368,371
Trade and other receivables	15	39,067	33,257
		244,466	483,734
Financial liabilities			
Trade and other payables	20	131,882	286,040
Lease liabilities	21	250,977	143,259
		382,859	429,299

Note 28 Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- General advisory services	3,185	2,160
- Share registry services	3,928	3,870
Total auditor's remuneration	12,113	10,830

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Laura Jane Richardson
Graham Stephen Dent
Melinda Kaye Norton
Anne Margaret Harvey
David Frank Cameron
Barry Gordon Pearn
Andrew Raymond Johnston
Carmen Elizabeth Cresswell
Kim Maree Anne Rootes

b) Key management personnel compensation

	2021 $	2020 $
Key management personnel compensation comprised the following.		
Short-term employee benefits	6,000	10,000

Compensation of the company's key management personnel includes salaries.

for the year ended 30 June 2021

Note 29 Related parties *(continued)*

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.

Transactions with related parties	2021 $	2020 $
- Laura Richardson provided marketing and promotional services. The total benefit received was:	6,000	2,000

Note 30 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	6.50	42,250	6.50	42,250

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

b) Franking account balance

	2021	2020
Franking credits available for subsequent reporting periods	$	$
Franking account balance at the beginning of the financial year	14,932	15,885
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	19,338	15,073
- Franking debits from the payment of franked distributions	(14,845)	(16,026)
Franking account balance at the end of the financial year	19,425	14,932
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(13,691)	8,696
Franking credits available for future reporting periods	5,734	23,628

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

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%.

for the year ended 30 June 2021

Note 31 Earnings per share

a) Basic and diluted earnings per share

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

	2021 $	2020 $
Profit attributable to ordinary shareholders	32,465	56,161
	Number	Number
Weighted-average number of ordinary shares	650,000	650,000
	Cents	Cents
Basic and diluted earnings per share	4.99	8.64

Note 32 Commitments

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

Note 33 Contingencies

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

Note 34 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.

Director's declaration

In accordance with a resolution of the directors of Meander Valley 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.

Laura Jane Richardson, Chair

Dated this 30th day of September 2021

Independent auditor's report

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Meander Valley 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 Meander Valley 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: 30th September 2021

Joshua Griffin
Lead Auditor

Notes

Notes (continued)

Notes (continued)

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Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_4366742 16/10/2021